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FIRST LESSONS
IN
BOOK-KEEPING

J. THORNTON







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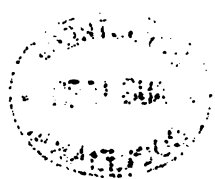
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FIRST LESSONS
IN
BOOK - KEEPING.



FIRST LESSONS

IN

BOOK-KEEPING.

BY
J. THORNTON.

Book-keeping is the very Key of your position. The records of the Bankruptcy Court show how many colossal fortunes are wrecked, how many growing prospects are blasted, through ignorance of this vital part of commercial knowledge."—GEORGE MOORE'S *Address to the Commercial Travellers' Schools*. (Smiles's *Life of George Moore*.)



London:
MACMILLAN AND CO.
1879.

181

176

LONDON:
R. CLAY, SONS, AND TAYLOR,
BREAD STREET HILL, E.C.



12

FIRST LESSONS
IN
BOOK - KEEPING.

CONTENTS.

LESSON.	PAGE.
I. INTRODUCTORY. WHAT DOES BOOK- KEEPING TEACH?	3
II. HOW TO BALANCE A DR. AND CR. ACCOUNT	7
III. ACCOUNTS OF THINGS.	15
IV. ACCOUNTS OF PERSONS	20
V. WHAT AM I WORTH?	26
VI. WHAT AM I WORTH?	31
VII. HAVE I GAINED OR LOST?	37
VIII. HOW HAVE I GAINED?	42

CONTENTS

LESSON.	PAGE.
IX. HOW HAVE I LOST ?	50
X. HOW TO OPEN THE LEDGER	57
XI. HOW TO MAKE ENTRIES IN THE LEDGER	53
XII. HOW TO BALANCE THE LEDGER AND " PROVE "	74
XIII. HOW TO PREPARE ENTRIES FOR THE LEDGER, FIRST METHOD	90
XIV. HOW TO PREPARE ENTRIES FOR THE LEDGER. SECOND METHOD	104
TEST EXERCISES	117
APPENDIX	130

THE THREE ESSENTIALS.

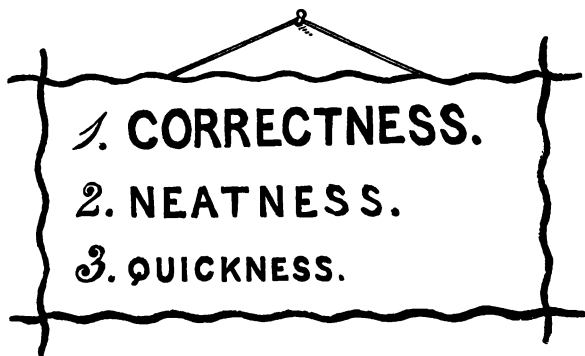
in Book-keeping :

First. Learn to be CORRECT.

Then Learn to keep the Books NEAT and CLEAN.

Lastly : Learn to be QUICK.

"The Three Essentials."



1. Attend to the above in their proper *order*.
2. Do not consider yourself a "good Book-keeper" until you can remember and practice *all three* at once.



LESSON I.

What "Book-keeping" Means.

I want you, for the first lesson, to try and understand what Book-keeping really means. To begin—pray do not fancy that there is nothing to learn except to write nicely, though a neat and distinct style of writing will be very useful to you. For you will have to make "entries" of all kinds in various books, and to *copy* these "entries" in a particular manner into other books. This copying entries from one book to another is called "posting"; and, if you should ever be a clerk, you will find what a great deal of time and care "posting" requires.

But you may know how to "enter" and "post" very rapidly and correctly, and yet not really understand much about Book-keeping.

What then does Book-keeping teach? Two things.

(Firstly)—How to keep your books in such a way that you can readily find in them an answer to every question about your business, which you may want an answer to. If you will *think*.

you will soon see what kinds of questions I mean; or you can look at the headings to Lessons 5, 6, 7, and 8.

Moreover, Book-keeping gives you the answers to these and similar questions, in such a simple and straightforward way, that it saves a world of trouble, by telling you precisely what you want to know, in the most ready and convenient manner.

But, (secondly)—the *great* advantage—the true “science” of Book-keeping is, that it shows you how to **Prove your Books**, that is, to see that all your work is correct, so that you not only know *exactly how much you are worth*, and how much *profit* you have made, but are sure that you are RIGHT.

You will say, “If I can learn how to do this, it is something worth learning! But is it really *possible*?” Certainly it is. Just as it is possible to do a long sum in compound multiplication and “prove” it by division.*

Now I want you to see that the most essential

* It is desirable at first, to establish the truth of the above statement AS A GENERAL RULE, without burdening the mind of the young scholar by “exceptions.”

part of Book-keeping is knowing HOW TO PROVE. And, in order that you may learn to do this as quickly as possible, I have, in this little book, left out many things about "bills," "cheques," and so on, which you will have to understand by and bye.

I have also supposed that you have gone into business for yourself, and have done a little buying and selling, and receiving money, and paying it away. These things are called "transactions," and I have given you, instead of a long series of eighty or a hundred transactions, taking six months to get through, a very short series of only *three* to begin with (*see page 117*). Because, if you can **prove your Books** when there are only three or four things to enter, you will soon learn to do the same thing with thirty or forty ;—just as, when you learnt to swim, you found it very easy work, after you could once go half-a-dozen yards alone. And I hope that when you have finished these lessons, you will be able, with very little trouble, to make the proper entries of the "transactions" in their proper places, and to *prove your own work* to be *correct*.

If you can do this, several advantages will be gained :—

1. You will not want a key to tell you whether you are right.

2. You will be able to work without troubling your teacher too often.

3. You will feel that you really know more about "Book-keeping" than a great many grown up people who are in business for themselves.

4. If you can enter six transactions and "prove," you can (by taking extra care) do the same with twelve, or twenty, or indeed any number of transactions.

5. If you **prove your Books** when you go into business for yourself, (as I hope you will, whatever business you follow,) you will learn to place confidence in them ; and if any question or dispute arises between your Books and any one else's, (as often happens in real life,) you will feel pretty sure that your own Books are **RIGHT**, and the others **WRONG**.

LESSON II.
How to Balance a Dr. and Cr.
Account.

You will see what is meant by a Dr. and Cr. account, if you look at the examples given at the end of this lesson. Remember :—

1. "Dr." stands for "Debtor."
2. "Cr." stands for "Creditor."
3. "Dr." is *always* put on the left-hand side.
4. "Cr." is *always* put on the right-hand side.
5. Always say "Dr. To."
6. Always say "Cr. By."

You will understand where to write the words "to" and "by" if you look once more at the examples below. You must now learn the following rules *by heart*, reading the explanation, and afterwards working out the exercises.

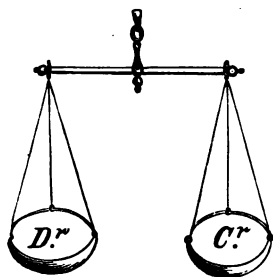
RULES FOR BALANCING AN
ACCOUNT.

1. Add up both sides.
2. Find the difference.
3. Put it down.
4. Add up both sides again.
5. Rule off.
6. Bring the balance down.

EXPLANATION.

1. Add up both sides, (in your head, or on a piece of paper, or anywhere *except* in the book).
2. Find the difference, (of course by subtracting the smaller amount from the greater).

3. Put it down, *on the lighter side—calling it "balance."* (This must, as



you will see, if you think, make the two sides equal. It is like holding up a pair of balances, and putting extra weights in the lighter scale, until the two sides weigh the same).

4. Add up both sides again. (This time, add them up *in the book*, and on the *same line*. Now, the two totals will be the same. If not, you have made some mistake.)
5. Rule off. (Notice that ruling off comes *after* adding up. The manner of ruling off can only be learnt by an attentive study of the examples given. Let the lines be *thin—even—straight*, and double lines close together).

6. Bring the balance down. (Always to the opposite side).

EXAMPLE.

In order to show you very plainly how the above rules are to be used, we will take an account, and "balance" it, pausing at each step to see that we clearly understand what we are doing.

<i>Dr.</i>	<i>Cash Account.</i>	<i>Cr.</i>	
	£ s. d.	£ s. d.	
Jan. 1 To Cash in hand	50 0 0	Jan. 7 By F. Mayhew.	9 9 0
„ 4 „ R. Smith ...	14 10 0	„ 8 „ E. Andrews.	13 0 0
„ 7 „ J. Downing .	27 12 6		
„ 10 „ W. Tunbridge	16 16 0		

We are asked to "balance" the above account.

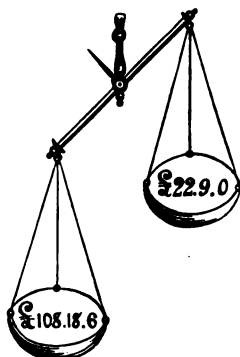
Rule 1. Add up both sides.

Dr. side £108 18s. 6d.

Cr. side £ 22 9s. 0d.

The scales are at present very unevenly balanced. I must throw more weight into the Cr. side.

FIG 1.



Rule 2. Find the difference. Or, in other words, see how much extra weight is required in the Cr. scale to make the two "balance."

Dr. side £108 18 6

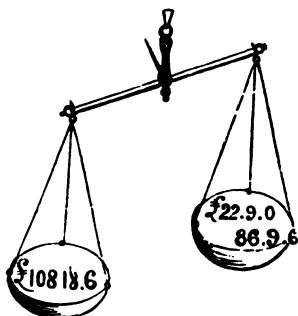
Cr. „ 22 9 0

Difference 86 9 6

Notice, that thus far we have not touched the account itself at all. We have only done some adding and subtracting, in order to find the difference. You will remember that this *difference* is called the "balance."

Rule 3. Put it down on the lighter side. Now the *lighter* side means that which has the smaller *total*, and is not always the side which has the fewer entries. We proceed then to put the balance down:—

FIG. 2.

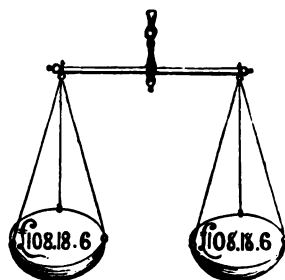


<i>Dr.</i>			<i>Cash Account,</i>	<i>Cr.</i>		
	£	s. d.		£	s. d.	
Jan. 1 To Cash in hand	50	0 0	Jan. 7 By F. Mayhew.	9	9 0	
„ 4 „ R. Smith ...	14	10 0	„ 8 „ E. Anderson	13	0 0	
„ 7 „ J. Downing.	27	12 6	„ 10 „ Balance	86	9 6	
„ 10 „ W. Tunbridge	16	16 0				

Rule 4. Add up both sides in the Book.

<i>Dr.</i>	<i>Cash Account.</i>	<i>Cr</i>	
	£ s. d.	£ s. d.	
Jan. 1 To Cash in hand	50 0 0	Jan. 7 By F. Mayhew	9 9 0
„ 4 „ R. Smith ...	14 10 0	„ 8 „ E. Andrews.	13 0 0
„ 7 „ J. Downing.	27 12 6	„ 10 „ Balance	86 9 6
„ 10 „ W. Tunbridge	16 16 0		
	£108 18 6		£108 18 6

Notice that the two totals, £108 18s. 6d., are *on the same line*. Now the scales are equally poised.



CAUTION. Never be tempted to “save trouble” by copying your totals from your first casting on paper. Always *add up* a second time in the book.

Rule 5. Rule off.

<i>Dr.</i>	<i>Cash Account.</i>	<i>Cr.</i>	
	£ s. d.	£ s. d.	
Jan. 1 To Cash in hand	50 0 0	Jan. 7 By F. Mayhew	9 9 0
„ 4 „ R. Smith ...	14 10 0	„ 8 „ E. Andrews.	13 0 0
„ 7 „ J. Downing .	27 12 6	„ 10 „ Balance.. ...	86 9 6
„ 10 „ W. Tunbridge	16 16 0		
	<u>£108 18 6</u>		<u>£108 18 6</u>

Do not rule exactly *on* the blue line, but about one eighth of an inch below. Be careful not to let the lines you rule, cut or touch the figures.

Rule 6. Bring the balance down. If there is no more room on the page, a new heading is made for the account on the next, or some other page; and the "balance," *instead* of being carried *down*, is carried *away*. Whether the balance is carried "down" or "away," it is **ALWAYS** carried **to the opposite side**.

<i>Dr.</i>	<i>Cash Account.</i>	<i>Cr.</i>	
	£ s. d.	£ s. d.	
Jan. 1 To Cash in hand	50 0 0	Jan. 7 By F. Mayhew .	9 9 0
„ 4 „ R. Smith . .	14 10 0	„ 8 „ E. Andrews...	13 0 0
„ 7 „ J. Downing .	27 12 6	„ 10 „ Balance	86 9 6
„ 10 „ W. Tunbridge	16 16 0	(car. down)	
	<u>£108 18 6</u>		<u>£108 18 6</u>
„ 11 To Balance }	86 9 6		
brot. down }			

Note. When there is no difference between the two sides of an account, they may be added up and ruled off according to Rules 4 and 5. In such a case as this, there is no "balance" to bring down, and the account is said to be "closed." (See Exercise 6).

EXERCISES ON LESSON II.

Balance the following accounts :—

(1.)

<i>Dr.</i>	<i>Cash Account.</i>	<i>Cr.</i>	
1878	£ s. d.	1877	£ s. d.
Feb. 2 To Cash in hand	74 2 2	Feb. 3 By W. Clover.	40 0 0
„ 10 „ T. Rolfe.....	18 10 0	„ 11 „ F. Britton...	57 10 0
„ 15 „ W. Johnston	32 15 6		
„ 20 „ N. Orfeur ...	9 2 11		

(2.)

<i>Dr.</i>	<i>Goods Account.</i>	<i>Cr.</i>	
1878	£ s. d.	1878	£ s. d.
Mar. 3 To Goods in hand	100 0 0	Mar. 8 By Sales.....	99 10 0
„ 10 „ Purchases ...	150 0 0	„ 12 „ Ditto.....	84 18 0
„ 21 „ Ditto	75 0 0		

(3.)

<i>Dr.</i>		<i>London and County Bank.</i>		<i>Cr.</i>	
1878	£ s. d.	1878	£ s. d.		
Apl. 1 To Balance.....	224 3 9	Apl. 3 By Clarkson ...	24 10 0		
„ 11 „ Cash	100 0 0	„ 5 „ Jackson.....	30 18 1		
		„ 8 „ Thompson's ace. pd. ... }	50 0 0		
		„ 17 „ Wilson	7 17 0		
		„ 27 „ Johnson.....	13 15 9		

(4.)

<i>Dr.</i>	<i>R. Brown & Co.</i>	<i>Cr.</i>
1878	£ s. d.	
May 2 To Goods	141 7 6	
„ 7 „ Ditto.....	22 9 3	
„ 11 „ Ditto.....	72 10 0	
„ 13 „ Ditto.....	89 9 0	

(Proceed with the above just as you would in any other case. Of course you will not have to “subtract” in order to find the “difference.”)

(5.)

<i>Dr.</i>		<i>Lambert & Co.</i>		<i>Cr.</i>
1878		£ s. d.	1878	£ s. d.
June 3	To Cash.....	100 0 0	June 1.	By Goods 260 10 10
„ 6	„ Bill	160 10 10	„ 15	„ Ditto 313 12 4
„ 16	„ Ditto.	313 12 4	„ 26	„ Ditto..... 82 16 8
„ 27	„ Cash.....	50 0 0		

(6.)

<i>Dr.</i>		<i>Thomson & Sons.</i>		<i>Cr.</i>	
1878		£ s. d.	1878	£ s. d.	
July 7	To Goods	33 6 8	July 5.	By Goods	150 0 0
„ 8	„ Cash	66 13 4	„ 6	„ Ditto.....	75 10 0
„ 10	„ Ditto.....	20 0 0	„ 7	„ Ditto.....	24 10 0
„ 22	„ Ditto.....	30 0 0	„ 9	„ Ditto.....	47 16 7
„ 30	„ Bill	147 16 7			

(7.) Make out an imaginary account of Mr. Collier having five entries, showing a balance on the Dr. side.

(8.) Make out a similar account of Mr. Cross, showing a balance on the Cr. side.

(9.) Make out Cooper and Bonn's account, with four entries on one side, and six on the other, making the account balance.

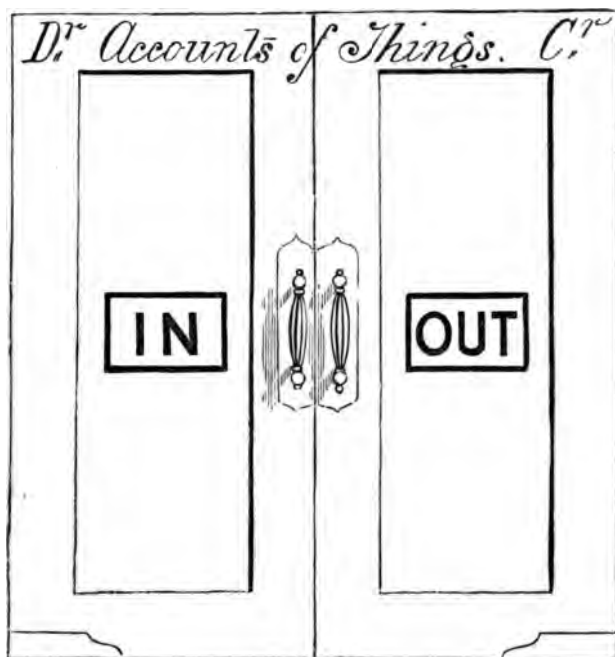
(10.) Make out a Cash account, putting Cash in hand £700 os. od. on the Dr. side, and the following names and amounts on the Cr. side:—Gladstone £82 3s. 2d.; Smoothy, £66 6s. 6d.; Ballard, £110 10s. 6d.; Wilkins, £46 19s. od.; Mellor, 10s. 6d.; Goods, £20; Trade expenses, £17 11s. 11d.; Bank, £100. Balance as usual.

LESSON III.

“In and Out,” or ACCOUNTS of THINGS.

There is a great difference between accounts of things and accounts of persons. The latter are called **personal**, and the former **real** accounts. If you wish to decide whether you ought to call an account “a **real** account,” you have only to ask yourself whether the *heading* or name of the account is the name of a *thing*. Thus you would at once conclude that the accounts headed “Tea,” “Coffee,” “Cash,” “Goods,” “Shop Fixtures,” &c., &c., are *real* accounts.

It will very much help you to understand these accounts, if you try to get a mental photograph of the following diagram to start with, and carry the same constantly in your mind's eye.



What does this mean? It means that all Cash, Goods, &c., coming **IN** must be put on the Dr. side of the account, and that all Cash, Goods, &c., going **OUT** must appear on the Cr. side. Thus for instance, in the Cash account on page (9), the entry "Cash in hand £50," means that on Jan. 1st, £50. came **IN**, or was *received* to

start with, and the next entry means that £14 10s. *od.* was received from R. Smith, on Jan. 4—and in short *all* the amounts on the Dr. side signify “Money,” or “Cash” *received* or coming **IN**, whilst those on the Cr. side signify Cash going **OUT**, or *paid* away.

NOTE.— 1. The *Balance* of the Cash account represents the Cash in hand.

2 You cannot pay away *more* money than you receive ! Try to think what follows from this, about the two sides of Cash account. Which must be the greater ? and on which side must the “balance” fall ?

“Goods” accounts are kept in the same way. The word “Goods” as used in Book-keeping stands for *anything* (no matter what), that is bought or sold for the purposes of trade. Goods that come **IN** are put on the Dr. side of Goods account, and goods that go **OUT** on the Cr. side.

Of course goods that come **IN** are goods that are **bought**, and goods that go **OUT** are goods that are **sold**, so that we shall see on the Dr. side of every Goods account a list of all *purchases*, and on the Cr. side a list of all *sales*.

The following Examples of two different kinds of Goods accounts will help you to do Exercises 5, 6 and 7.

<i>Dr.</i>	<i>Goods Account.</i>			<i>Cr.</i>			
	£	s.	d.	£ s. d.			
Jan. To Stock in hand .	100	0	0	Jan. By Credit sales ...	80	0	0
Feb. „ Credit Purchases	200	0	0	Feb. „ Ditto ditto ...	150	0	0
Mar. „ Ditto ditto . . .	150	0	0	„ „ Cash ditto . . .	25	0	0
„ „ Cash ditto . . .	20	0	0	Mar. „ Credit ditto ...	100	0	0

<i>Dr.</i>		<i>Sugar Account.</i>			<i>Cr.</i>		
		£	s.	d.		£ s. d.	
Jan.	To Stock in hand	1147	9	5	Jan. 19	By Bone & Co.	550 0 0
Feb. 2	„ Thompson .	222	3	4	„ 27	„ Betts	696 8 2
„ 5	„ Scott	395	6	8	Feb. 4	„ Wilson ...	500 19 6
„ 21	„ Whibley ...	163	6	6			

EXERCISES ON LESSON III.

Make out Cash accounts from the following statements and “balance,” showing the amount of Cash in hand, on the last date given.

(1.) I had Cash in hand to start with £127 10s. od.—Jan. 2, I paid Mr. Dickson, £24 6s. od.—Jan. 3, I received from Drayton and Sons, £98 9s. 10d.—Jan. 4, I received from Mr. Dalton, £20—Jan. 5, I paid Mr. Denham, £65 15s. 6d.—Jan. 6, I paid Mr. Doughty, £44 18s. 8d.—Jan. 7, I received from Mr. Deal, £89 1s. 6d.—Jan. 8, I received from Mr. Dash, 12s. 9d.

(2.) Feb. 1, Cash in hand £50.—Received from J. Start, £39 4s. 7d.—Feb. 4, Paid Mr. Salmon, £42. 10s. 2d.—Feb. 7, Received from Mr. Short, £200—Feb. 9, Paid Mr. Swift, £72 12s. 3d.—Feb. 11, Paid Mr. Shippey, £63 6s. 7d.—Feb. 12, Paid Mr. Steady, £9 9s. od.—Feb. 17 Received from Mr. South, £100.—Feb. 19, Paid Mr. Shallow, £12 2s. 4d.—Feb. 22, Paid Mr. Saintey, £5.—Feb. 25, Received of Mr. Scammell, 2s. 6d.—Feb. 28, Paid Mr. Saling, £11 11s. od.

(3.) March 1, Cash in hand, £120—March 3, Paid Trade expenses, £10.—March 4, Paid Union Bank, £50.—March 6, Received of R. Turnbull, £90.—March 8, Paid W. Tranter, £75 12s. od.—March 9, Received for goods sold, £25 10s. 6d.—(Say "Goods—Cash sales.") *N.B.—Remember that when the Cash comes IN the Goods go OUT; therefore if you were entering this in "Goods" account, you would enter it on the Cr. side, because it is "Goods" OUT; but in "Cash account" it goes on the Dr. side, because it is "Cash" IN.*—March 12, Paid for Goods bought, £15 15s. od. (Say "Goods—Cash purchases.")

(4.) April 1, Cash in hand £75.—April 2, Sold Goods for Cash, £20.—(consider whether this is Cash IN or Cash OUT).—April 4, Paid Mr. Elton, £16 6s. 9d.—April 7, Mr. Edgington pays me, £10.—April 15th, Bought Goods for Cash, £27 19s. 6d.—(Cash IN or Cash OUT?)—April 20, Paid Mr. Eltham, £66 9s. od.—April 22, Received from Union Bank, £50.—April 25, Paid Trade Expenses, £15 15s. od.

(5.) Make out "Goods account" from the following statement, but do not balance :—

	£	s.	d.
July 1. Goods in hand (to begin with. Say "To stock in hand")	250	0	0
„ 31 Goods sold "on Credit" (that is, sold but not paid for at the same time. Say "Credit Sales")	120	0	0
„ „ Goods sold for Cash (Say "Cash Sales") ...	77	9	5
„ „ Goods bought on Credit (Say "Credit Purchases")	150	0	0
„ „ Goods Bought for Cash (Say "Cash Purchases")	35	10	0

(6.) Make out "Goods account."

Jan. Stock in hand, £721 18s. 4d.—Bought on Credit, £324 16s. 7d.—For Cash £20.—(Feb.) Sold on Credit, £295 10s. 2d.—Sold for Cash, £37 8s. od.—Bought on Credit, £82 3s. 6d.—(March) Sold on Credit, £164 7s. 9d.—Sold for Cash, £22 2s. 9d.—Bought on Credit, £159 6s. 10d.—Bought for Cash, £45 13s. 4d.

(7.) Make out separate accounts (without balancing), for "Tea" and "Wine" from the following series of transactions :—

		£	s.	d.
Jan. 1	Tea on hand	595	14	8
" "	Wine "	923	2	4
" 5	Bought Wine of Mr. Bremer..... (Say "To Bremer £150.")	150	0	0
" 17	Bought Tea of Mr. Nuttall	200	0	0
Feb. 12	Sold Tea to " Southall	250	0	0
" 20	" Wine " Bentall	500	0	0
Mar. 5	" " " James	50	0	0
" "	" Tea " More	60	18	6
April 6	Bought Wine of Mr. Carpenter	110	0	0
" 11	Sold " for Cash	13	4	5
	(Say "Cash Sales.")			
" 19	Bought Tea for Cash.....	20	0	0
" 27	Sold " "	31	10	0



(8.) Make out and balance an imaginary Cash account for December 1877, showing the Balance of Cash in hand on December 31st, to be £100.

(9.) Make out and balance an imaginary Cash account, containing two entries on the Dr. side and eight on the Cr. side ; having the same amount of Cash in hand at the beginning and end.

LESSON IV.

"He owes me" and "I owe him."

I asked you to take a mental photograph for accounts of *things*. Let me ask you to take another for accounts of *persons*.

<i>D.^r</i>	<i>John Smith</i>	<i>C.^d</i>
<i>RECEIVES</i>		<i>Gives</i>
<i>HE</i>  <i>owes</i> <i>ME</i>	<i>and therefore</i>	 <i>I owe</i> <i>HIM</i>

I think you will have small difficulty in understanding what this means. You are a linen-draper, we will say, and Mr. John Smith walks into your shop, and asks you "how his account stands." You turn to the account in your books headed "John Smith," and if you see £25 on the Dr. side, you say at once "Mr. Smith owes me" £25.—If you see £50 on the Cr. side, you say "I owe him" £50. But if you see an amount or several amounts on *both* sides, what are you to understand by this? If, for instance, you see by the entries on the Dr. side, that John Smith owes you £5, and at the same time you see from the entries on the Cr. side that you owe John Smith £1 10s. 0d. what would you say? Would it

How did the account stand on the 4th of Feb.? £250 Dr. (that is, James Brown owed me £250). How did it stand on Feb. 12th? £300 Dr., (that is James Brown owed me £300). What was the state of the account on Feb. 15th? £100 Dr. How does it now stand (Feb. 20th)?

Answer. It "balances :—" that is to say, I do not owe James Brown anything, nor does he owe me anything.

We will now rule off, and suppose that on March 1st, he buys goods £500, and on March 5th pays cash £350.

<i>Dr.</i>			<i>James Brown.</i>			<i>Cr.</i>		
		£ s. d.						£ s. d.
Jan. 1	To Balance ...	150 0 0	Jan. 10	By Cash	200 0 0			
Feb. 4	„ Goods.....	300 0 0	Feb. 15	„ Do.	200 0 0			
„ 12	„ Do.....	50 0 0	„ 20	„ Do.	100 0 0			
		<u>£500 0 0</u>			<u>£500 0 0</u>			
Mar. 1	To Goods ...	£500 0 0	Mar. 5	By Cash ...	£350 0 0			

What is the state of affairs between me and James Brown now? It is manifest that the account now stands £150 Dr., showing that James Brown owes me £150.

Now balance the account again, and enquire once more how it stands.

<i>Dr.</i>		<i>James Brown.</i>		<i>Cr.</i>		
		£	s. d.		£ s. d.	
Jan. 1	To Balance ...	150	0 0	Jan. 10	By Cash	200 0 0
Feb. 4	„ Goods.....	300	0 0	Feb. 15	„ Do.....	200 0 0
„ 12	„ Do.	50	0 0	„ 20	„ Do.....	100 0 0
		<u>£500</u>	<u>0 0</u>			<u>£ 500 0 0</u>
Mar. 1	To Goods...	500	0 0	Mar 5	By Cash.....	350 0 0
		<u>£500</u>	<u>0 0</u>	„ „	„ Balance...	150 0 0
					(car. down)	<u>£500 0 0</u>
Mar. 5	To Balance (bt. down.)	£150	0 0			

We see at a glance that the account stands just as it did before being balanced, and you will find this is always the case. So please remember, that *the state of an account is not in any way altered by its being "balanced."*

THREE CAUTIONS.

When you wish to ascertain the state of any account :—

1. Remember, it is the "Balance" that gives the answer.
2. When an account has been previously balanced and ruled off, look *only* at that part which comes *below the double line*.
3. Beware of hastily catching sight of the Total and calling *that* the Balance !

EXERCISES ON LESSON IV.

(1.) Make out and balance Robert Robinson's account with ten entries, showing that "He owes me" £57 9s. 4.

(2.) Make out and balance Benjamin Butler's account with ten entries, showing that "I owe him" £1010 10s. 6d.

(3.) Make out and balance Hatfield and Bloomer's account (ten entries), starting with a balance of £79 15s. 6d. on the Dr. side, and showing at the close that the account "balances."

(4.) Make out and balance three personal accounts with three entries in each. The first to have a Dr. balance—the second a Cr. balance—the third no balance.

(5.) *Sampson and Co.*

	£	s.	d.		£	s.	d.
June 1	82	8	4	June 3	121	2	1
" 4	65	10	0	" 5	34	6	9
" 7	82	11	0	" 11	66	2	10
" 12	10	0	6	" 15	45	15	6
" 14	5	5	0	" 17	29	19	0

What was the state of Sampson and Co's. account on *each* of the dates on the Dr. side?

(6.) How did the account stand on each of the dates on the Cr. side?

(7.) Balance the above account and make six more entries, (three on each side), giving the state of the account at each successive date.

(8.) Make out Nicholl and Frewin's account, starting with a balance of £25 Cr., and by five entries, making the account stand successively £100 Dr.—£50 Cr.—£250 Dr.—£500 Dr. and £1 Cr.

(9.) Write from memory the "Three Cautions."

(10.) Make a "Memory Picture" for *real* and *personal* accounts stating what these expressions mean.

LESSON V.

“WHAT AM I WORTH”?

There are some accounts in Book-keeping, which are neither accounts of *Things*, nor of *Persons*. These are called “nominal accounts.” They answer some very important questions, and have a great deal to do with that **“proving,”** which we have already talked about in our first lesson. In the next four lessons we shall find out:—

1st. The names of some of these “nominal accounts.”

2nd. What questions they answer and how they answer them.

3rd. What they have to do with **“Proving the Books.”**

The first *Nominal* account, which we have to consider is called “Capital Account,” and answers the question “What am I worth?” You may regard this as YOUR OWN account, and should put at the top, first your own name, and then the words “Capital account” :—thus

DR. FRANCIS HYDE, CAPITAL ACCOUNT. CR.

Now let us notice the way in which a Capital Account is kept, by observing Francis Hyde's Capital Account for the year 1877.

Mr. Hyde began business on the first of January with £100 Cash. By the usual method of buying Goods at one price, and selling them at a higher price, he has contrived during the year to earn exactly £100 profit. Now if Mr. Hyde could have lived upon air, he might have saved the whole of this £100, and so he would have been worth £200 at the end of the year; but he was obliged to **spend** something for food and clothes. The result is that he finds himself a little richer at the end of the year than he was at the beginning, **because he has earned more than he has spent.** Capital Account will show all this in the following way:—

On the Cr. side will appear,

1. What I *start* with.
2. What I have *earned*.*

On the Dr. side will appear,

What I have *spent*.

(i. e. what I have taken for PRIVATE expenses.)

* The way to ascertain the amount of my "earnings" or "net profit" is the subject of Lesson VII.

Dr. <i>F. Hyde Capital Account.</i> Cr.			
	£ s. d.	1877	£ s. d.
1877 Mar. 31 To Cash	20 0 0	Jan. 1 By BALANCE.	100 0 0
June 30 " do	20 0 0	(i. e. what I had to start with, or what I was worth on Jan 1.)	
Sep. 30 " do	20 0 0	Dec. 31 By Net Profit	100 0 0
Dec. 31 " do	20 0 0	for 1877 ... }	
" " To BALANCE			
card. down ... }	120 0 0	("Net" Profit means <i>clear</i> profit —after all losses have been allowed for.)	
(to begin next year with)			
	£200 0 0		£200 0 0
		1878	
		Jan. 1 By Balance brot. }	120 0 0
		down	

The balance on December 31st, answers the question at the head of this lesson, and shows "How much I am worth" on that date, as may be shown by setting down first :—

	£	s.	d.
What I <i>was</i> worth on Jan. 1, viz.	100	0	0
Then (adding my "net" or "clear"			
profit)	100	0	0
I find that on December 31st, I			
<i>should</i> have been worth	200	0	0
<i>But</i> I have drawn out of the busi-			
ness (that is, taken for my own			
private expenses)	80	0	0
Therefore, (subtracting) I find I			
am only worth	£120	0	0

In the next lesson you will learn how to answer this *same* question in quite *another* way. To prove the Books is to see that the two answers to this question **AGREE** (see diagrams at the beginning and end of this book).

The other way to find out "What I am worth" is by means of a "BALANCE SHEET."

EXERCISES ON LESSON V.

(1.) I am worth £100 on July 1st, 1865.

During the next six months my net Profits amount to £472 8s. 10d.

But I have drawn for Private Expenses..... 200 *os.* *od.*

Draw out a Capital Account showing what I am worth at the end of the year, and carrying forward the balance to begin the year 1866 with.

(2.) I am worth £500 at the beginning of the year. I make £125 during the first six months, and £180 profit the last six months.—I am worth £624 10s. od. at the end of the year.

Make out a Capital Account showing what I have spent, putting any dates you please.

(3.) Make out a Capital Account for three months, showing that I have earned £70 during that time, and spent £82.

(4.) Make out Thomson and Wright's Capital Account for Jan. to to June 1867 showing them to have been worth £4,279 8s. 4d. on Jan. 1, and £4,927 4s. 8d. on June 30.

(5.) On Jan. 1st, 1878, I was worth £750.

During the year I made £290 profit; and spent :—£63 10s. the first quarter—£65 15s. 6d. the second quarter—£50 11s. 7d. the third quarter, and £69 17s. 4d. the fourth quarter. Find, by means of a Capital Account, how much I was worth at the end of the year.

(6.) On Jan. 1st, 1879, I was worth £320 2s. 6d.

In Jan. I made £35 12s. 1d. profit; and spent £25.

„ Feb.	„	37	4	2	„	„	„	27
„ March	„	30	14	11	„	„	„	20
„ April	„	27	2	2	„	„	„	25
„ May	„	29	4	5	„	„	„	20
„ June	„	25	3	7	„	„	„	30

How much was I worth on July 1st?

(7.) Supposing, (in the last question) I had only spent twenty guineas a month, how much should I have been worth on July 1?

(8.) In question six—How much was I worth at the end of three months? of four? of five?

(9.) Make out and balance Winterton and Hampson's capital account from July to December 1871; showing earnings and spendings for each month.

(10.) Make out Albert Rockingham's capital account, showing that he was worth £1 to begin with, but is now worth £100.

LESSON VI.

"What am I Worth."

We said in our last lesson that another way to find the answer to this question was by means of a "balance sheet." In making out a Balance Sheet, five things have to be thought of. You will be better able to remember these if you look at another "memory picture." Examine the hand (page 32), carefully for a few minutes, and then draw a similar diagram for yourself without referring to the book.

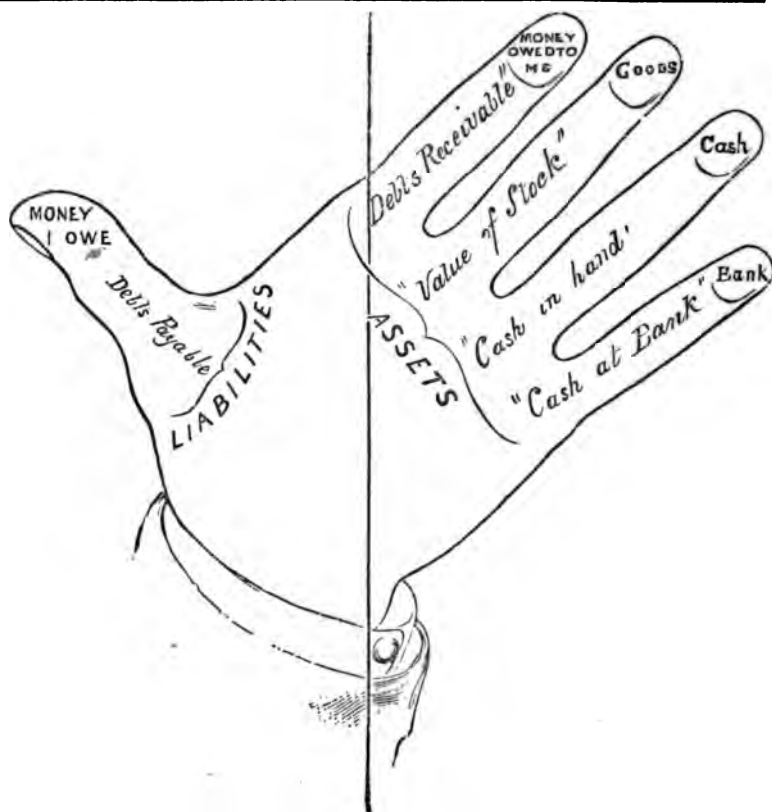
Now let us put this in another way :—

ON THE LEFT HAND SIDE	ON THE RIGHT HAND SIDE
PUT	PUT
" <i>Debts Payable.</i> "	1. " <i>Debts Receivable.</i> "
Or, what I owe other people.	Or, what other people owe me.
(If there are only a few names they may be specified.)	2. " <i>Value of Goods.</i> "
	Or, Stock in Trade.
	3. " <i>Cash in Hand.</i> "
	Money either in Cash Box or Till :
	—Gold, Silver, Copper, Notes, or Cheques.
	4. " <i>Cash at Bank.</i> "
	If the Bank account should be <i>overdrawn</i> , the amount goes on the other side.
The entries on this side are called " <i>Liabilities.</i> "	The entries on this side are called " <i>Assets.</i> "

Balance Sheet.

(ANSWERS THE QUESTION).

“What am I Worth?”



The "balance" or difference between the two sides answers the question "What am I worth."

Remember the statement made in your last lesson, that IF THE BALANCE SHEET AND CAPITAL ACCOUNT AGREE, THE BOOKS ARE PROVED, and you have the best guarantee you can possibly obtain of the accuracy of the whole of your accounts.

The *method* by which this desirable result may be secured will be shown, step by step, as we proceed with our lessons.

EXAMPLE I.

Make out a balance sheet from the following statements :—

I owe Mr. Hitching	£172	0	0
" " " Hewitt	50	0	0
" " " Jeffery	113	0	0
Mr. Arnold owes me	29	2	6
" Baker " "	130	10	0

I have Cash in hand £33 12s. 3d.; in Bank £318; Goods £457.

	£	s.	d.		£	s.	d.
Mr. Hitching	172	0	0	Mr. Arnold	29	2	6
" Hewitt	50	0	0	" Baker	130	10	0
" Jeffery	113	0	0	Other people owe me	159	12	6
I owe other people ...	335	0	0				

The Balance of £22 shows *by how much* I am "Insolvent," that is, how much money (or other assets) I need (in addition to those I already have) to enable me to pay all my debts.

EXERCISES ON LESSON VI.

(1.) I have Cash £50.—Goods worth £357 8s. 4d., and £177 11s. 5d. in the Bank. Mr. Smith owes me £65. Mr. Kitson owes me £141 2s. 3d. Mr. Mudbury owes me £2 2s. 0d., and Mr. Warren owes me 10s. 9d. I owe £133 2s. 2d. to Mr. Young.—£95 to Mr. Unwin.—£83 4s. 1d. to Mr. Weldon, and £55 0s. 8d. to Mr. Wingfield. *Am I Solvent or Insolvent, and by how much?*

(2.) Mr. Stephen owes me £22 5s. 3d.—Mr. Rows £16 17s. 0d.—Mr. Ratcliffe £35 4s. 2d.—Mr. Jackson £89 12s. 1d.—I owe Camden and Co. £250.—Ward and Co. £78 3s. 10d.—Mr. Wright £4 11s. 2d.—Mr. Townsend £11 7s. 8d.—I have Cash £88 6s. 8d.—Bank £501 2s. 3d.—Goods £1452 11s. 4d. *Am I "Solvent" or "Insolvent," and by how much?*

(3.) Mr. Baynes owes me £124 7s. 8d.—I owe Mr. Bunker £89 8s. 6d.—Mr. Emson owes me £60 6s. 11d.—I owe Mr. Siggs £77 2s. 10d.—Mr. Rushforth owes me £50 2s. 3d.—I owe Mr. Mynott £11 2s. 9d.—I owe Messrs, Parkin and Morris £93 13s. 4d. I have Goods worth £302 17s. 4d.—Cash £2 3s. 6d.—In Bank £116 10s. 0d. *Make out my Balance Sheet, showing "How much I am worth."*

(4.) *Decide from the following statement whether I am in a position to be able to pay all my debts. If not, how much would enable me to do so?*

Debts Receivable :—King £34 5s. 6d.—Lake £82 9s. 5d.—Lupwood £10 13s. 3d.—Ledger £75 0s. 10d.—Debts Payable :—Mann £264 4s. 3d.—May £121 1s. 9d.—Mills £125 4s. 2d.—Meade £136 5s. 3d.—Cash £86 13s. 8d.—Bank (none).—Goods £205 14s. 4d.

(5.) Make out a Balance Sheet, showing that I am worth £120 (see page 28).

(6.) Make out a Balance Sheet, showing that I am worth £372 8s. 10d. (see page 29, Ex. 1).

(7.) Make out a Balance Sheet, showing that I am *Insolvent*.

(8.) I owe { Mr. Rust £171 2s. 4d. Mr. Savill £812 5s. 4d.
 { Mr. Sach £315 2s. 6d. Mr. Shee £342 4s. 10d.

And I am worth £2,000 exactly. Make out a Balance Sheet (supplying the other items).

(9.) Make out a Balance Sheet, showing that I have enough money in hand to pay half my debts, and that I have five times as much in the Bank as I have in hand.

(10.) Explain the meaning of the expressions :

Debts Payable.	Liabilities.
Debts Receivable.	Solvent.
Assets.	Insolvent.

LESSON VII.

“Have I Gained or Lost”?

Business cannot be carried on without expenses and losses of various kinds ; the expenses are incurred *for the sake of* future *profit* ; and one of the first questions a business man asks himself at the end of the year is “ Has it been worth my while to suffer all these losses ” ? “ Have my *profits* been greater than my *expenses* ” ? or in other words “ Have I Gained or Lost ” ?

Before we proceed further, I want you to notice that Book-keeping speaks of two *kinds* of

Why must the balance of P. & L. be carried to *Capital Account*? Because if it is "Profit," that Profit belongs to *me*, and must, therefore, be carried to *my own* account, but if it is "Loss," *I* have to bear that Loss; therefore it goes to *my own* (that is, to *Capital*) Account.

But how do we *find out* our "Gains" (to put on the Cr. side of the P. & L.), and our "Losses" (to put on the Dr. side)? This we shall see in the next two lessons.

EXAMPLE 1. *Make out a Profit and Loss Account from the following statement, and carry the Balance to Capital Account.* I have made £70 Profit on Tea.—£80 on Coffee.—and £15 on Sugar. My Expenses have been £12.—Bad Debts £5.—and Discounts £2 7s. 9d.

<i>Dr.</i>	<i>Profit and Loss.</i>		<i>Cr.</i>
	£	s. d.	£ s. d.
To Trade Expenses ...	12	0 0	By Tea 70 0 0
„ Bad Debts.....	5	0 0	„ Coffee 80 0 0
„ Discounts	2	7 9	„ Sugar..... 15 0 0
„ Net Profit (card. } to Capital Acc.... }	145	12 3	
	£165	0 0	£165 0 0

<i>Dr.</i>	<i>Capital Account.</i>	<i>Cr.</i>
		£ s. d.
	| By Net Profit	145 12 3

EXAMPLE 2. I have made Profit on Goods, £175. My Trade Expenses have been £160. Discounts £20. *Have I Gained or Lost, and how much? Carry the Gain or Loss to "my own account."*

Here it will be seen at once that the Dr. side (Losses), exceed the Cr. side (Gains) by £5. Therefore the Balance must be called "Net Loss."

<i>Dr.</i>	<i>Profit and Loss.</i>			<i>Cr.</i>			
	£	s.	d.	£	s.	d.	
To Trade Expenses ...	160	0	0	By Gross Profit	175	0	0
" Discounts	20	0	0	" Balance, net loss	5	0	0
				card. to Cap. Acc.			
	<u>£180</u>	<u>0</u>	<u>0</u>		<u>£180</u>	<u>0</u>	<u>0</u>

<i>Dr.</i>	<i>Capital Account.</i>	<i>Cr.</i>
To Net Loss	£ s. d. 5 0 0	

EXERCISES ON LESSON VII.

1. Profit on Wine £479 8s. 2d.—On Brandy £821 3s. 5d.—On Whiskey £725 18s. 1d.—On Rum £303 12s. 8d.—Trade Expenses £295 6s. 2d.—Bad Debts £50.—Discounts £22. Have I gained or lost, and how much?

2. Profit on Printing £432 6s. 4d.—On Stationery £342 1s. 3d.—On Books £162 9s. 5d.—On Photographs £87 3s. 11d.—Trade Expenses £132 9s. 7d.—Bad Debts £16 10s. 0d.—Discounts £28 3s. 11d. How much have I gained or lost?

How to Balance any Goods Account, *that is, to find out "How I have Gained."*

If you buy a quantity of Sugar for £185 and sell it for £200, it is easy to calculate your profit on Sugar by subtracting the sum you laid out, from the amount you have received.

<i>Dr.</i>		<i>Sugar Account.</i>		<i>Cr.</i>	
PURCHASES.				SALES.	
	£	s.	d.		£ s. d.
Jones and Co.	100	0	0	For Cash	50 0 0
Carson Bros.	85	0	0	Mr. Simpson	150 0 0
	£185	0	0		£200 0 0
Profit	15	0	0		
	£200	0	0		£200 0 0

And as you will remember (page 16) that all *purchases* go on one side of the account, and all *sales* on the other, it would seem a very simple matter at any time to find how much you have gained on any particular kind of Goods by balancing that account. But the profit cannot always be got at in this way. *Why not?* Because at the time you are balancing your books it frequently happens that you have still some "Sugar"—or some "Tea"—or some "Goods" remaining **UNSOLD**. Indeed this is the case more often than not, and the question

comes, what is to be done about the stock of "Goods in hand" which has not yet been sold? The answer to this question deserves your special attention. **You must suppose that it is all sold!** That is, *you must carefully ascertain the value of the "Goods" that remain UNSOLD, and enter the amount on the SOLD side of the account* (treating unsold Goods, in fact, as though they were sold).

To find the exact value of the Goods remaining unsold, is sometimes in real life, a very troublesome business; so many shelves and cupboards, and drawers have to be looked into; so many parcels untied and tied up again, and such a variety of little things to be weighed, measured or counted, that many people either do not attempt it at all, or try to manage by the "guessing" method. (They call it "estimating"). But it is a most important thing to do, and to do thoroughly—and no man of business should shrink from it because of the trouble.

The Diagram at the beginning of the book will now enable you to understand the following Rules and Examples:—

RULES.

1. *Enter Value of Stock on Cr. Side.*

Say "By Goods in hand."

2. *Balance.*

If the "Balance" falls on the Dr. side, call it "Gross Profit."

If the "Balance" falls on the Cr. side, call it "Loss."

3. *Carry "Goods in hand" down.*

4. *Carry "Profit" or "Loss" away.*

EXAMPLE I.

<i>Dr.</i>	<i>Goods Account.</i>	<i>Cr.</i>
Jan. 1 To Goods in hand	£ s. d. 752 8 3	Jan. 31 By Cash Sales. 156 9 3
„ 31 „ Cash Purchases	75 10 0	„ „ „ Credit do. ... 482 6 5
„ „ „ Credit do. ...	352 5 1	

At the end of January my Goods Account stands as above, and I have Goods remaining in my shop still unsold to the value of £783 8s. 7d.

Find whether I have “gained” or “lost”—and how much, and transfer the amount of such *gain* or *loss* to “P. & L.”

<i>Dr.</i>	<i>Goods Account.</i>	<i>Cr.</i>
Jan. 1 To Goods in hand	£ s. d. 752 8 3	Jan. 31 By Cash Sales . 156 9 3
„ 31 „ Cash Purchases	75 10 0	„ „ „ Credit do. ... 482 6 5
„ „ „ Credit do.	352 5 1	„ „ „ Goods in hand
„ „ „ “Gross Profit”	} 242 0 11	card. down } 783 8 7
card. to P. & L.		
	£1,422 4 3	£1,422 4 3
Feb. 1 Goods in hand	£783 8 7	

Notice carefully the successive steps taken.

RULE 1. *Enter value of Goods on Cr. side.*
Therefore enter £783 8s. 7d. under date Jan. 31.

RULE 2. *Balance :—*

	£	s.	d.
Total of Cr. side	1,422	4	3
„ „ Dr. side	1,180	3	4
Difference	242	0	11

Put the difference on the "lighter" side (Lesson 2).

RULE 3. *Carry "Goods in hand" down.*

This is the first Entry in Goods Account for Feb., and must therefore be dated Feb. 1.

RULE 4. *Carry Profit away* (opposite side).

Where to? To "P. & L." Account. Thus then you see we have answered *one* of the questions at the close of our last lesson. This last step of all we now proceed to take.

Dr.	PROFIT AND LOSS.	Cr.
	Jan. 31 By Gross Profit	£ s. d. 242 0 11

Caution:—When you have found the balance of "Profit" do not—according to Lesson 2—carry it *down*, but *away*. "Goods in hand" is the "balance" of Goods Account. Do not forget to carry *this* down.

The next Example will show you how to act if ever you should meet with a "loss" on any of your "Goods Accounts."

EXAMPLE II.

Dr.	TEA.	Cr.
Purchases £760	0 0 | Sales.....	£710 0 0
Dr.	COFFEE.	Cr.
Purchases £575	0 0 | Sales.....	£400 0 0
Dr.	SUGAR.	Cr.
Purchases £200	0 0 | Sales.....	£120 0 0

At the end of the year my "Tea," "Coffee" and "Sugar" Accounts stand as above. I take stock, and find that I have £150 worth of Tea left unsold—£225 worth of Coffee—and £78 worth of Sugar.

Balance the accounts, carrying to "P. & L." Then balance "P. & L." and carry to "Capital Account." (Lesson 7.)

<i>Dr.</i>			<i>TEA.</i>			<i>Cr.</i>		
	£	s. d.		£	s. d.		£	s. d.
Purchases	760	0 0	Sales	710	0 0			
Gross Profit card. to P. & L.	100	0 0	Teainhand, card. down	150	0 0			
	<u>£860</u>	<u>0 0</u>					<u>£860</u>	<u>0 0</u>
Stock in hand	£150	0 0						

<i>Dr.</i>			<i>COFFEE.</i>			<i>Cr.</i>		
	£	s. d.		£	s. d.		£	s. d.
Purchases	575	0 0	Sales	400	0 0			
Gross Profit card. to P. & L.	50	0 0	Stock in hand card. down	225	0 0			
	<u>£625</u>	<u>0 0</u>					<u>£625</u>	<u>0 0</u>
Stock in hand	£225	0 0						

<i>Dr.</i>			<i>SUGAR.</i>			<i>Cr.</i>		
	£	s. d.		£	s. d.		£	s. d.
Purchases	200	0 0	Sales	120	0 0			
			Stock in hand card. down	78	0 0			
	<u>£200</u>	<u>0 0</u>	"Loss" card. to P. & L.	2	0 0			
Stock in hand	£78	0 0					<u>£200</u>	<u>0 0</u>

<i>Dr.</i>	<i>PROFIT AND LOSS.</i>				<i>Cr.</i>		
	£	s.	d.		£	s.	d.
To Loss on Sugar	2	0	0	By Profit on Tea	100	0	0
„ Net Profit card. } to Capital Acc. }	148	0	0	„ „ „ Coffee ...	50	0	0
	<u>£150</u>	<u>0</u>	<u>0</u>		<u>£150</u>	<u>0</u>	<u>0</u>

Notice that there is no balance here to carry down. In other words, P. & L. is "closed."

<i>Dr.</i>	<i>CAPITAL ACCOUNT.</i>	<i>Cr.</i>
	By Net Profit (from } P. & L.)	£ s. d. 148 0 0

EXERCISES ON LESSON VIII.

(1.)

<i>Dr.</i>	<i>GOODS ACCOUNT</i>						<i>Cr.</i>
	£	s.	d.		£	s.	d.
Jan. To Goods in hand	224	7	9	Jan. By Sales	154	18	1
" " Purchases ...	111	8	4	Feb. " Do.	137	10	6
Feb. " Do.	131	16	5	Mar. " Do.	101	5	11
Mar. " Do.	97	4	0				

Balance the above account (taking value of Goods in hand at £258), and carry to P. & L.

(2.)

<i>Dr.</i>	<i>GOODS ACCOUNT.</i>						<i>Cr.</i>		
	£	s.	d.				£	s.	d.
July 1 To Goods in hand	802	17	7	July to Dec. By Sales	.		708	0	10
July to Dec. To Purchases	791	10	3						

Balance the above, estimating Goods unsold at £1,009 19s. 2d., and carry to P. & L.

(3.)

Leather. Stock in hand to begin the year, £1,200.—Purchases, £550.—Sales, £1,950.—Stock in hand at end of year, none.

Linen. Purchases, £1,510.—Sales, £940.—Stock in hand at end of year £750.

Hops. Stock in hand at starting, £920.—Purchases, £350.—Sales, £1,200.—Stock in hand at end of year, £50.

Draw out and balance accounts for the above, and carry to P. & L. Then balance P. & L. and carry to Capital Account.

(4.)

Make out separate accounts for Cloth, Wheat and Hemp. Then balance, showing a profit of £575 on Cloth—of £230 on Wheat—and of £386 *gs. 5d.* on Hemp. Carry to P. & L.

(5.)

Make out separate accounts for Rice and Treacle, showing a profit on the former, and a loss on the latter; balancing P. & L., and carrying to Capital Account.

LESSON IX.

“How have I Lost?”

To ascertain the manner in which a man of business has *lost* money, is not less interesting and important than to see the way in which he has made his *gains*. Perhaps you will say “not so *interesting*!”

Now there have been, and I suppose still are, business men and women, not a few, who have been unsuccessful in life, just because they

did not think *losses* were so "interesting" as *gains*; and who did not therefore "interest" themselves sufficiently about them, to prevent their running away with all the gains! How vexatious it must be for a man who is doing a good trade, quite enough perhaps to get a very comfortable living out of it, to find at the end of the year, that the greater portion of his "profits" are being *eaten up* (so to speak) by "losses."

Let us see then how profits are sometimes eaten up. If you have forgotten about the Irish Ponies on page 38, please to turn back and refresh your memory. You there saw at work three of the largest of those sharks that have such a keen appetite for "gains." Their names are—

1. Trade Expenses.
2. Bad Debts.
3. Discounts.

I do not mean to say that these are the only three, but they are the most common, and will be enough for the present to think of. Of these the *first* is the largest, and can the most easily be reduced.

The *second* is the most annoying.

The *third* may sometimes appear as a "Profit" instead of a "Loss."

What do we mean by "TRADE EXPENSES"? We call all money spent for business purposes "Trade Expenses," *unless we get something substantial in exchange*. For instance, when I spend money on "Goods," I have something substantial in exchange, and should not therefore call such an outlay "Trade Expenses."

If I spend money on Postage Stamps to use for business letters, the stamps have soon vanished, and I have nothing substantial left. I must therefore call this "Trade Expenses," and for the same reason I call the Rent of my Shop, and the Wages I pay to my clerks "Trade Expenses."

But if I buy a new stove to warm my office, I have something substantial in exchange for my money, and must not enter this to "Trade Expenses," but to an "account of Things" or "Real Account" such as "Office Furniture." You can easily think of various ways of spending money about your business, and it will be a very useful exercise for you to make up your mind

under what account you would place each of them. There are some doubtful cases:—for example, a new hearth-brush for the office fire-place. Would you call this “substantial?” Probably not, as it would soon get worn out and need replacing. If you are in doubt, it is better to choose “Trade Expenses,” especially if the amount is small.

“BAD DEBTS” account will not require very much of your attention at present. I said that it was the most annoying of the three ways of losing one’s gains ; and it is so for this reason, that it is the most difficult to prevent. If at any time I hear that a man who owes me money cannot pay me, I must (as soon as I feel quite sure that there is no hope of my ever getting the money), “write the account off”: *that is, I must balance the account, and carry the balance to Bad Debts account.*

“DISCOUNT” Account. By “Discounts” we understand certain sums of money subtracted from the regular price of Goods to obtain payment more quickly. If I keep a shop, my customers ask me for “Discount,” and I grant it on condition that I receive “Ready Money” payment. I, in my turn, ask the Wholesale

Houses with whom I deal, to give *me* Discount; and by paying promptly for my Goods, I may be able to get very considerable reductions in this way. The reductions I make to *my* customers are of course *Losses*; but these may be, and often are, more than counter-balanced by those I *obtain* from the Wholesale Firms, which are *Gains*. Thus it may happen, as before stated, that this particular "Loss" is turned into "Gain."

These three accounts must each of them be balanced in the usual way, but instead of the balances being carried "down," they must be carried "away" to P. & L. (opposite side).

If the balance comes into the Dr. side of P. & L. (as it almost always does), it is a Loss, but if it should come into the Cr. side it is a Gain.

EXAMPLE.

During 1871 I spend £82 on Rent; £130 on Wages and Salaries; £60 18s. 3d. on Carriages &c., and £49 1s. 11d. on Miscellaneous Items. I had two Bad Debts, Tarleton £157, and Rushworth £18. I *allowed* £39 16s. 2d. in Discounts to my customers, and I received as Discounts £25 11s. 4d. Make accounts for the above and balance.

<i>Dr.</i>	<i>TRADE EXPENSES.</i>		<i>Cr.</i>		
	£	s. d.	£	s. d.	
To Rent.....	82	0 0	By Balance, card. to	322	0 2
„ Wages &c.	130	0 0	P. & L.....		
„ Carriage &c.	60	18 3			
„ Sundries	49	1 11			
	<u>£322</u>	<u>0 2</u>		<u>£322</u>	<u>0 2</u>

<i>Dr.</i>	<i>BAD DEBTS.</i>			<i>Cr.</i>			
	£	s.	d.	£	s.	d.	
To Tarlton.....	157	0	0	By Balance card. to	175	0	0
„ Rushworth	18	0	0	P. & L.			
	<hr/>				<hr/>		
	£175	0	0		£175	0	0
	<hr/>				<hr/>		

<i>Dr.</i>	<i>DISCOUNTS.</i>		<i>Cr.</i>	
To Discounts allowed .	£	s. d.	£	s. d.
	39	16 2	By Discounts received .	25 11 4
	<hr/>		" Balance card. to	14 4 10
	<hr/>		P. & L.	
	£39	16 2		£ 39 16 2

<i>Dr.</i>	<i>P. & L.</i>	<i>Cr.</i>
To Trade Expenses ...	£ s. d. 322 0 2	
„ Bad Debts	175 0 0	
„ Discounts	14 4 10	

EXERCISES ON LESSON IX.

(1. My Trade Expenses for 1850, were as follows :—For Wages, £78 10s. 1d.—For Rent and Taxes, £64 10s. 5d.—For Sundries £52 13s. 9d.

I had three Bad Debts :—J. Perry, £25 0s. 1d.—R. Paul, £17 2s. 2d.—and N. Patmore, £5 2s. 9d.

Discounts allowed came to £23 13s. 6d., and Discounts received £19 14s. 7d.

Make accounts for the above and carry to P. & L.

(2.) Since last Stocktaking, my Trade Expenses have amounted to £27 8s. 6d.

	£	s.	d.
I have allowed Discounts	45	2	9
I have received Discounts	49	9	2

The following Bad Debts have been "written off":—

D. Procter	2	5	9
J. Latten	3	7	2
C. Athill.....	11	2	11
J- Frost	3	7	0
J. Cummins	2	10	6

Make accounts for the above and carry to P. & L.

(3.) From Jan. to June, 1878, I made £493 11s. 5d. "Gross Profit," which was reduced to less than half by the following "Losses."

Trade Expenses :—Travelling, £35 4s. 2d. Rent, £69 3s. 10d. Wages, £54 8s. 4d. Sundries. £48 12s. 3d.

Bad Debts. Dale £50. Hamby, £42 12s. 9d. Gibson, £17.

Discount :—Allowed £28 2s. 8d. Received, £31 17s. 6d.

Enter the above in their respective "Loss" Accounts, and show my "Net Profit" by a P. & L. Account.

(4.) Make out accounts for the following "Losses," and balance.

	£	s.	d.
Jan. 17 Paid for Wages	10	6	8
„ 27 Allowed Discounts	17	2	9
Feb. 1 Paid Rent	12	15	0
„ 15 Allowed Discounts	13	3	8
„ 28 Received do.	16	6	11
Mar. 5 Paid for Gas	5	8	9
„ 11 „ Postage Stamps	8	5	2
„ 31 Bad Debts (Blyth).....	14	10	6
„ „ Do. (Booth).....	12	9	2

	£	s.	d.
Mar. 31 Discounts received.....	20	1	9
„ „ Do. allowed	18	2	2
„ „ Sundry Expenses	10	10	0

(5.) Make out accounts for "Wool," "Hides," "Trade Expenses," and "Discounts" from the following statement, and carry to P. & L. Then balance P. & L. and carry to Capital Account.

Wool :—Purchases, £825. Sales, £625. Value of Stock unsold, £300,

Hides :—Purchases, £1,400. Sales, £1,400. Stock remaining unsold is worth £220.

Trade Expenses :—Stationery, £8 5s. od. Rent, £27 4s. 6d. Wages, £50. Sundries, £19 19s. od.

Discounts :—Allowed, £15. Received, £24 9s. 6d.

(6.) My *Gross Profit* last year amounted to £796 18s. 8d. My *Net Profit* was only £57 19s. 8d. Draw out accounts for Trade Expenses, Bad Debts, Discounts, and P. & L. to agree with the above statement.

LESSON X.

The Ledger and How to "Open" it.

You have now learnt about three kinds of accounts.

1st. Accounts of *Things*, or "*Real Accounts*."

2nd. Accounts of *Persons*, or "*Personal Accounts*."

3rd. The Accounts which answer various questions about the business; these are called "*Nominal Accounts*."

The Book which contains all these Accounts is called THE LEDGER.

In order that you may have their meaning and relation to each other very clearly before your mind, I must ask you to study the *synoptical view of the various accounts contained in the Ledger*, which you will see at the end of this book, until you know it well enough to make an accurate copy from memory.

HOW TO BEGIN.

“Well-begun—half-done” is quite as true in Book-keeping as anywhere else ; and as so many beginners in this study make shipwreck of their work at the very outset, I shall devote the rest of this Lesson to making the method of starting as clear and unmistakable as possible.

If you were asked to keep any one’s Books for him, the first thing you would want to know would be the state of his affairs, or *what he was worth* ; and if his “*Worth*” or “*Property*” was of different kinds (as for instance part in “Cash” and part in “Goods”), you would want to know exactly what it consisted of.

In other words, you must have a correct statement of “Assets” and “Liabilities,” giving all

particulars. You will remember (from Lesson 6), what these words mean.

The first thing then in Book-keeping (no matter whether it is in an Examination Paper, or in Real Life), is to get at the facts relating to a man's "worth" (or property) and his debts, so as to make out a "Balance Sheet."

Suppose we take the following facts to start with :—

Jan. 1. I have £20 worth of Cash—£50 in the Bank—and £570 worth of Goods.

Mr. Long and Mr. Short each owe me £25.

I owe Mr. Twist £5—Mr. Turner £18, and Mr. Smoothy £100.

First let us make out a Balance Sheet.

Liabilities. BALANCE SHEET. Assets.

JANUARY 1.

	£	s.	d.		£	s.	d.
Mr. Twist	5	0	0	Mr. Long	25	0	0
„ Turner.....	18	0	0	„ Short	25	0	0
„ Smoothy.....	100	0	0	Cash	20	0	0
Balance (Capital).....	527	0	0	Bank	50	0	0
				Goods	570	0	0
	<u>£680</u>	<u>0</u>	<u>0</u>		<u>£680</u>	<u>0</u>	<u>0</u>

The next thing will be to open nine accounts in the Ledger headed respectively :—

“Twist.”
 “Turner.”
 “Smoothy”
 “Capital.”
 “Short.”
 “Long.”
 “Cash.”
 “Bank.”
 “Goods.”

Lastly, we have to enter under these headings which we have just made, the amounts as given in the Balance Sheet ; *remembering to put Liabilities on the Cr. side, and Assets on the Dr. side of their respective accounts.*

The entries when made will appear as follows :—

<i>Dr.</i>	<i>TWIST.</i>	<i>Cr.</i>
	| By Balance	£ s. d. 5 0 0
<i>Dr.</i>	<i>TURNER.</i>	<i>Cr.</i>
	| By Balance.....	18 0 0
<i>Dr.</i>	<i>SMOOTHY.</i>	<i>Cr.</i>
	| By Balance.....	100 0 0
<i>Dr.</i>	<i>CAPITAL ACCOUNT.</i>	<i>Cr.</i>
	| By Balance	557 0 0

<i>Dr.</i>		<i>SHORT.</i>	<i>Cr.</i>
	£	s. d.	
To Balance.....	25	0 0 |	
<i>Dr.</i>		<i>LONG.</i>	<i>Cr.</i>
To Balance	25	0 0 |	
<i>Dr.</i>		<i>CASH.</i>	<i>Cr.</i>
To Balance	20	0 0 |	
<i>Dr.</i>		<i>BANK.</i>	<i>Cr.</i>
To Balance	50	0 0 |	
<i>Dr.</i>		<i>GOODS.</i>	<i>Cr.</i>
To Balance.....	570	0 0 |	

We have now "opened the Ledger," that is, we have made the necessary record of all the facts at the commencement, and the books are ready to receive the record of any further facts, as they occur.

We may summarise as follows :—

1. Make out a Balance Sheet.

2. Open Accounts.

(As many as there are items in Balance Sheet.)

3. Enter Amounts.

(On the opposite side to that in which they appear in Balance Sheet).

EXERCISES ON LESSON X.

1. Make out a Balance Sheet and open accounts from the following statement :—Jan. 1, Cash, £70.—Bank, £200.—Goods, £975 8s. od. Mr. Robinson owes me £15.—I owe Mr. Sparks, £16 16.—I owe Mr. Fuller, 2s. 6d.

2. Make opening entries from the following statement :—

Debts Payable :—L. Radbone	£ 12	4	2
E. Burchell	1	6	9
C. Kingsley	0	18	8
Debts Receivable :—Pearse and Son.....	5	0	0
R. Slater	50	15	0
T. Richards	0	0	9
Value of Stock £672 8s. 4d.—Cash	7	19	1

3. I was asked last Monday to start a new set of Books for my brother, whose affairs then stood as follows :—He owed Mr. Macaulay, £2 7s. 8d.—Mr. Froude, £8 8s. od.—Mr. Hallam. £35.—and Mr. Gibbon, £22 2s. 9d. Mr. Lingard owed him £43 18s. 11d.—and Mr. Freeman owed him £13 14s. 5d.—He had Cash £12 2s. od., and Goods worth £394 12s. 3d. Show what entries I made in his books.

4. A schoolboy thought he would like to begin systematic Book-keeping on his own account. The following is a true statement of his assets and liabilities. He owes no man anything. He has 7½d. in his purse—£1 5s. 6d. in the Post Office Savings Bank—and his brother Fred. owes him a shilling. Furthermore he has various small articles that he wants to sell, viz :—a Knife 6d., a Book 1s., and a set of Knucklebones, 4d. Estimate the value of his “Goods on hand” at half the selling prices, and show him how to “Open the Books.”

5. I have Cash, £13 19s. 2d. Corn, £3,011 os. 5d., and Coal, £1,975 4s. 2d. My Banking account is overdrawn £72 4s. 6d.—Mr. Finlayson owes me £1,123 4s. 4d.—Mr. Nutter owes me £435. I owe Mr. Burton, £122 os. 10d.—Mr. Wiseman, £15 14s. od.—and Mr. Turnbull, £19 19s. 6d. Open the Books.

6, 7, 8, 9, 10. Open the Books from the Balance Sheets you made in Exercises 1 to 5 on Lesson VI.

LESSON XI.

How to make Entries in the Ledger.

The Ledger contains a record of everything done in business. How is that record to be made? Where am I to enter the various transactions as they occur, and what kind of entries have I to make? In other words, I want to know :—

1. Where to write.
2. What to write.

The first of these questions must occupy our attention at once.

If we take a few of the simplest kind of business transactions, and think about them, we shall soon begin to discover, a method by which we can decide in which accounts they will have to be entered, and thus we can make up for ourselves a Rule to tell us *where to write*.

EXAMPLE I.

I sell £50 worth of Goods for Cash. We will suppose of course that we have already “opened” our Ledger (Lesson X), and, for the sake of clearness, we will show the whole Ledger in one view.

LEDGER.

Dr. Cr. £ s. d. 5 0 0	Dr. Cr. £ s. d. 18 0 0	Dr. Cr. £ s. d. 100 0 0	Dr. Cr. £ s. d. 507 0 0
Dr. Cr. £ s. d. 25 0 0	Dr. Cr. £ s. d. 25 0 0	Dr. Cr. £ s. d. 20 0 0	Dr. Cr. £ s. d. 50 0 0
Dr. Cr. £ s. d. 570 0 0	Dr. Cr.	Dr. Cr.	Dr. Cr.

The above represents the Ledger that was opened in our last Lesson. Each of the little spaces are separate accounts, and would probably, in a real Ledger, occupy a whole page. The blank spaces are for new accounts that may have to be opened from time to time. Now just as the letter sorter at the Post Office stands with a heap of letters ready to put each into its proper pigeon hole, so are we waiting to consider into which of these little square boxes, called "Accounts," the transaction before us has to be placed.

Let us think about it. "I sell £50 worth of *Goods*." Then put it in *Goods* account you say. Quite right. But I see that each of our little boxes or pigeon holes is divided into two compartments. Shall I put it into the right hand division, or into the left hand division? The right hand you say. Why? Because *Goods* that are sold, go *out* of my shop or warehouse, and I know (from Lesson 3), that *Goods out* are entered on the Cr. side of *Goods* account.

But before we leave off thinking about this transaction, let us read it again. "I sell £50

worth of Goods for *Cash*.” Ought we not to have put it in *Cash* account after all? If I sell Goods for Cash, I receive the money for the Goods: in other words the *Cash* comes *in*. It certainly appears that an entry ought to be made on the Dr. side of “Cash account.” And yet if you think the matter over, you will see no good reason for altering your mind about making an entry in “Goods account” *too*. So that we come to this conclusion, that the only way to get the fact of the sale of £50 worth of Goods for Cash properly entered in the Ledger, is to have it *in two places*.

EXAMPLE II.

Sold £20 worth of Goods to Mr. Long, on credit. You see at once that “Goods account” is concerned again in this example, and you have no difficulty in entering £20 on the Cr. side of Goods account as before. But what does “on credit” mean? It means that the Goods were *not paid for* at time they were sold; and if this is the case “*Mr. Long owes me*” £20.

You must therefore make an entry, in Mr. Long’s account, as well as in Goods account.

Be careful to put it on the "*He owes me*" side (Lesson IV.).

NOTE. It will be necessary to bear in mind that when no mention is made of payment, all Sales and Purchases are supposed to be "on credit."

EXAMPLE III.

Jan. 17. I draw £10 from the Bank. That is to say, on the 17th of January, I took £10 out of my stock of money at the Bank, and added it to my stock of money or cash at home. Here again we see that an entry must be made *in two places*.

On the Dr. side of Cash account.

(Because Cash comes IN).

On the Cr. side of Bank account.

(Because the money at Bank goes OUT).

Now let us look at our three Examples together. Careful observation may help us to discover some general principle, which will guide us in entering *any* transaction.

For this purpose we will briefly recapitulate :—

is one certainly, and Trade Expenses is the other. It is very plain too that when I *pay* Cash, the Cash goes OUT, but I cannot understand how Trade Expenses can be said to come IN—or indeed to go OUT either! You are quite right. What kind of account do you call Trade Expenses? Is it not a nominal account? Remember then that with all *nominal* accounts you do not ask the question “IN or OUT?” but you put this question: “LOSS or GAIN?” If LOSS, enter on the *Dr.* side—if GAIN, enter on the *Cr.* side. You will perhaps best keep in mind a vivid recollection of these Rules if you study well the following Diagram (page 71).

Having shown *where* to make the entry, the question arises, what *kind* of entry will have to be made?

Now the only thing that it is absolutely necessary to put down is the *amount* or sum of money given in each case; yet there are two other things which it is very desirable to have on record.

KIND OF ACCOUNT.	QUESTION.		
	<i>Dr.</i>		<i>Cr.</i>
REAL	Comes IN or Goes OUT ?		
PERSONAL	RECEIVES or GIVES ?		
NOMINAL	LOSS or GAIN ?		

Notice the Three G's all on the Cr. side.

- 1st. The date when the transaction occurred.
- 2nd. Some particulars in words, *describing* as briefly as possible the nature of the transaction.

The method of "Proving" can however be shown more clearly by leaving out dates and words. We will therefore postpone the consideration of this part of our subject until after our next lesson.

EXERCISES ON LESSON XI.

1. Name the two accounts involved in each of the following transactions :—

Received of J. Jackson	£ 1	Paid into Bank	£ 50
Paid D. Thomas	3	Sold Coffee for Cash	106
Sold Goods to E. Sarjeant ...	11	Bought Timber for Cash ...	350
Paid Office Rent	15	Bought Goods of A. Brown	35
Sold Timber to A. Brown ...	50	Paid for Wages	10

2. Which is the account to be "Credited" in each of the following transactions?

Sold Goods to J. Farthing.

Mr. Burton pays me.

Received Cash from Mr. Warren.

Mr. Bristowe buys Wheat from me.

I buy Horse and Cart from Mr. Bristowe.

Drew £5 from Bank.

Paid £100 into Bank.

Mr. Talbot sells me set of Harness.

Received £3 for Goods sold.

Settled Mr. Joyce's account.

3. Which is the account to be "Debited" in each of the following transactions?

Paid Royal Insurance Company.	Received Cash from Bowes and Son.
Barker and Co. paid me.	
Daulton and Co. bought Goods of me.	Drew £10 from Bank.
I sold Goods to Freshwick Bros.	Sold E. Law Goods.
Mr. Barker settles his account.	Emson and Co. sold me Wool.
	Sold Goods to R. Bewley, for which he paid me at the time.

4. Which is the "Receiving" account in each of the transactions in Exercise 2.

5. Which is the "Giving" account in each of the transactions in Exercise 3.

6. Open the Books (Lesson X), and enter the transactions from the following statement.

On Jan. 1, My affairs stood as follows :—

	£	s.	d.
Cash in hand	200	0	0
„ Bank	750	0	0
Goods in hand.....	1,175	1	6
Mr. Starling owed me	70	0	0
Mr. Snow	16	12	0
Mr. Withers	52	10	0
I owed Mr. Weldon	68	4	0
„ „ Wright	66	3	0

TRANSACTIONS.

Sold Goods for Cash	115	7	6
„ „ to Mr. Snow	12	4	0
Bought „ for Cash	12	0	0
„ „ of Mr. Wright.....	25	0	0

Mr. Snow settles his account (that is, he pays what he owes).

Paid for Shop Rent	8	0	0
Sold Goods to Mr. Bellingham .	7	17	6
Mr. Golding sold me Goods ...	39	0	0
Paid into Bank	150	0	0
Mr. Withers bought Goods	11	11	9

LESSON XII.

How to Prove.—I. TRIAL BALANCE.

Since every amount entered in the Ledger appears in two places, one of which is on the Dr. side, and the other on the Cr. side, it follows that the total amount on the Dr. side all through the Ledger will be equal to the total amount on the Cr. side. The first step then in proving is to cast up all the Debits and Credits separately and ascertain their respective sum totals. If these totals do not agree, there is certainly some mistake, and this mistake must be discovered before proceeding further.

This preliminary work is called taking a Trial Balance.

A Trial Balance is not really necessary, and, if you take care not to make mistakes, you will perhaps find it better to spare yourself this trouble altogether.

Before going on to the next step I should like to show you

HOW TO DETECT ERRORS.

The first thing always is to find out how much you differ.

1. If the difference is an amount consisting of pounds, shillings, and pence, (as £37 9s. 4d.), look for those figures in your Ledger. You will perhaps find them on one side, but not anywhere on the other. If so you will have at once discovered your mistake.

2. Very often a mistake arises from entering an amount on the wrong side of the Ledger. This will cause you to differ by double that amount in your Balance. Therefore look for *half* your difference in the Ledger. You may possibly find it entered twice on the Dr. side and not at all on the Cr. side (or *vice versa*.)

3. If the difference is a simple amount (such as £100, £1, £2, 10s., 10d., 6d.), try your castings again. The probability is you will find your error there.

4. If the difference consist of 11d. (that is one shilling less one penny)—1s. 10d., (that is 2s. less 2d.),—2s. 9d., (that is 3s. less 3d.), &c., &c., you may always suspect an accidental reversal of figures, as 6s. 8d. for 8s. 6d. In the same way a difference of 19s. (£1 less 1s.; 38s. &c. would lead you to look for a reversal of pounds and shillings. The following table will help to illustrate this :—

7 2 2 7	9 4 4 9	5 0 0 5	} The reversed figures differ by <i>five</i> . Difference 5/- less -/5.
4 7	4 7	4 7	
£ s. d. 3 0 0 0 3 0	£ s. d. 6 3 0 3 6 0	£ s. d. 8 5 0 5 8 0	} The reversed figures differ by <i>three</i> . Difference £3 less 3/-.
2 17 0	2 17 0	2 17 0	
624 642	790 970	681 861	} The reversed figures differ by <i>two</i> . Difference 18 (or 2 Tens less 2 Units).
18	180	180	

5. Bear in mind the possibility of a double error. For instance :—

Difference	} May be accounted for thus :
£ 9 19s. 6d.	
	£10 in the casting, 0 mistaken for 6.

If none of these plans succeed, you must

6. Tick off. That is, every amount on the Dr. side of the Ledger must be "ticked off" against a corresponding amount on the Cr. side, by putting a tick (✓) close to each amount. This process, if carefully done, will be almost certain to reveal the mistake that has caused you so much trouble. If not, take out a new Trial Balance, and if still unsuccessful, begin again and go straight through the whole process perseveringly, as many times as may be necessary, until you come quite right.

II. VALUE OF STOCK.

In real life the value of your Goods on hand unsold, has to be found by a process called "Stocktaking;" but in learning Book-keeping, the "value of Stock" is generally given at the end of a series of Transactions. You will see, however, that in some of the Test Exercises at the end of this book you are asked to *calculate* the value of unsold Stock, and instructions are there given to enable you to do this.

III. FIND WHAT YOU ARE WORTH BY MEANS OF CAPITAL ACCOUNT.

(1.) Balance all "Profit" Accounts, and carry the balance of Profit (or Loss), to P. & L. } Lesson VIII.

(2.) Balance all "Loss" Accounts, and carry the balance of Loss (or Profit), to P. & L. } Lesson IX.

(3.) Balance P. & L. and }
 carry the balance to Capital Acct. } Lesson VII.

(4.) Balance Capital Ac- }
 count and carry the balance down } Lesson V.
 to begin the new account with. }

This Balance tells you what you are *now* worth.

IV. FIND WHAT YOU ARE WORTH BY
 MEANS OF A BALANCE SHEET.

1. Balance all Accounts, }
 except those that have only one } Lesson II.
 entry. }

2. Enter every *Debit* Balance }
 on the *Assets* side of Balance }
 Sheet. }

3. Enter every *Credit* Balance, }
 except Capital, on the *Liabilities* }
 side of Balance Sheet, }

4. Balance the Balance Sheet, }
 calling the Balance "Capital." } Lesson VI.

This Balance tells you what you are *now* worth.

If the Balance of Capital Acct. and }
 the Balance of the Balance Sheet } AGREE,

You have
 Proved your Books.

A brief recapitulation of the last three Lessons will help you to bear in mind the right order of procedure.

BEGINNING.
(LESSON X.)

{	1. Balance Sheet.			
	2. Open Accounts.			
	3. Enter Amounts	<table border="0"> <tr> <td rowspan="2" style="vertical-align: middle; font-size: 3em;">{</td> <td>Assets on Dr. side.</td> </tr> <tr> <td>Liabilities on Cr. side.</td> </tr> </table>	{	Assets on Dr. side.
{	Assets on Dr. side.			
	Liabilities on Cr. side.			

ENTERING.
(LESSON XI.)

{	1. The Account that	RECEIVES comes IN.	{	on the Dr. side.
	2. The Account that	GIVES goes OUT		

on the Cr. side.

PROVING.
(LESSON XII.)

{	CAPITAL ACCOUNT	{	1. Profit Accounts. (Goods).
			2. Loss Accounts. (T.E., B.D., Dis.)
{	CAPITAL ACCOUNT	{	3. P. & L.
			4. Capital Account.
{	CAPITAL ACCOUNT	{	1. Balance all Accounts.
			2. Debit Balances are Assets.
{	CAPITAL ACCOUNT	{	3. Credit Balances are Liabilities.
			4. Balance Sheet.

must agree with

EXAMPLE.

Taking the same Ledger already given for an example, you remember that the state of affairs at starting was as follows :—

ASSETS.	{	Mr. Short	£ 25.
		„ Long	25.
		Cash	20.
		Bank	50.
		Goods	570.
LIABILITIES.	{	Mr. Twist	£ 5.
		„ Turner	18.
		„ Smoothy	100.

and from this statement you have already “*opened the Ledger*” according to Lesson X, (see page 61).

Now *Enter* the following

TRANSACTIONS :

Sold £50 worth of Goods for Cash.
 Sold £20 worth of Goods to Mr. Long.
 Drew £10 from Bank.
 Paid £6 for Rent.
 Bought £30 worth of Goods of Mr. Wyatt.
 I pay Mr. Twist £5.
 Mr. Long pays me £30.

and your Ledger will stand thus—

We make a Trial Balance as follows :—

<i>Debits.</i>			TRIAL BALANCE.	<i>Credits.</i>		
£	s.	d.		£	s.	d.
5	0	0	Twist.	5	0	0
			Turner.	18	0	0
			Smoothy.	100	0	0
			Capital.	567	0	0
25	0	0	Short.			
45	0	0	Long.	30	0	0
110	0	0	Cash.	11	0	0
50	0	0	Bank.	10	0	0
600	0	0	Goods.	70	0	0
			Wyatt.	30	0	0
6	0	0	Trade Exps.			
<u>£ 841</u>	<u>0</u>	<u>0</u>	TOTAL....	<u>£ 841</u>	<u>0</u>	<u>0</u>

The Value of Stock remaining unsold on Jany. 31, we will suppose to be £555.

(1.) *Goods* is the only "Profit" account. Balancing this I find the Gross Profit to be £25 which I carry to P. & L.

(2.) *Trade Expenses* is the only "Loss" account. This I close, transferring the balance to P. & L.

(3.) Now balancing P. & L. I find, the net Profit to be £19, which I carry to Capital account.

(4.) Lastly, balancing Capital account I find I am *now* worth £586, which amount I carry down to begin the next month with.

I next proceed to balance all the other accounts in the Ledger.

When this is done the Ledger will appear thus:—

<i>Dr.</i>	<i>DISCOUNT ACCOUNT.</i>	<i>Cr.</i>
	| By Jones	o 8 5

You notice (1.) that the money paid to Mr. Jones (£13) goes to the Dr. side of Jones's account, and the Cr. side of Cash account.

(2.) That the Discount (8s. 5d.) goes to the Dr. side of Jones's account, and the Cr. side of Discount account.

EXAMPLE II.

Mr. Smith (who owes me £25) settles his account, less 5% discount.

5% (or Five per cent) means, Five pounds for every hundred pounds—Five shillings for every hundred shillings, and so on. The easiest way to reckon Five per cent is to turn pounds into shillings, thus:—

	£	s.	d.
Five per cent. on £ 1 0 0 is one shilling	(	1	0)
Five per cent. on £ 2 0 0 is two shillings	(	2	0)
Five per cent. on £ 10 0 0 is ten shillings	(	10	0)
Five per cent. on £ 20 0 0 is twenty shillings	(	1	0 0)
Five per cent. on £ 50 0 0 is fifty shillings	(	2	10 0)
Five per cent. on £100 0 0 is one hundred shillings	(	5	0 0)

A little practice and effort would soon make you very expert in calculating five per cent on any sum of money.

To get at the right way of entering the above you must take one step at a time.

(1.) Calculate five per cent on £25 (25s.).

(2.) Notice the word *less*. Mr. Smith did *not* pay me £25, but (£25 less 25s.).

(3.) Find the amount actually paid (£23 15s.). Now apply the Rule (as follows):—

(1.) Debit "Cash" and Credit "Mr. Smith" with *the amount actually received*.

(2.) *Mr. Smith* is Credited with the Cash; therefore *Mr. Smith* must be credited with the Discount.

(3.) Cash account is *Debited*; therefore Discount account must be *debited*.

LEDGER ENTRIES.

<i>Dr.</i>			<i>Mr. SMITH.</i>			<i>Cr.</i>		
	£	s.	d.		£	s.	d.	
To Balance of acct. due	25	0	0	By Cash	23	15	0	
				„ Discount	1	5	0	
	£25	0	0		£25	0	0	

<i>Dr.</i>			<i>CASH.</i>			<i>Cr.</i>		
	£	s.	d.					
To Smith	23	15	0					

<i>Dr.</i>			<i>DISCOUNT.</i>			<i>Cr.</i>		
	£	s.	d.					
To Smith	1	5	0					

-
- | | | |
|-----|---------------|------|
| 8. | Test Exercise | (H.) |
| 9. | Do. | (I.) |
| 10. | Do. | (J.) |
| 11. | Do. | (K.) |
| 12. | Do. | (L.) |

BAD DEBTS.

The next Exercise contains some "Bad Debts," and will perhaps need a little explanation. To "write an account off as a bad debt" means to balance that account and carry the *balance* to "Bad Debts" account.

To "accept a Composition" is to receive part of the amount due, and *then* balance the account, and carry the balance to Bad Debts account. A debtor who finds himself insolvent, lays all his affairs open to his Creditors, and asks them to receive a part of what is due to them, and to cancel the obligation as though he had paid his debts in full. When a proposal of this kind is made and agreed to, the Debtor is said to have "compounded" with his Creditors, and the Creditors are said to have accepted a composition of so much in the pound. If you are in any difficulty about a transaction of this kind, adhere to the following

RULE

1. Find how much money was actually received.
2. Debit Cash account with the amount *received*.
3. Credit the account of the party who *gave* the cash.
4. Balance the account you have just Credited.
5. Carry the balance to Bad Debts account.

EXAMPLE.

I accept Composition of 5s. in the £ from Jones and Co., who owe me £18.

Mr. Jones's account in the Ledger stands thus :—

<i>Dr.</i>	<i>JONES & Co.</i>	<i>Cr.</i>
To Goods	£ 18 0 0 |	

1. The Cash actually received was of course eighteen times 5s., *i.e.*, £4 10s. *od.*
2. Therefore I must Debit Cash account £4 10s. *od.*
3. I must also Credit Jones and Co. £4 10s. *od.*
4. Now balancing Jones and Co's account, I find there is a balance of £13 10s. *od.*
5. This balance I carry to Bad Debts account.

LEDGER ENTRIES.

<i>Dr.</i>	<i>JONES & Co.</i>		<i>Cr.</i>	
	£ s. d.			£ s. d.
To Goods	18 0 0	By Composition.....		4 10 0
	/	,, Balance, card. to }		
	£ 18 0 0	B. D.	}	13 10 0
	£ 18 0 0			£ 18 0 0

<i>Dr.</i>	<i>CASH.</i>		<i>Cr.</i>	
	£ s. d.			
To Jones & Co.	4 10 0			
<i>Dr.</i>	<i>BAD DEBTS.</i>		<i>Cr.</i>	
To Jones & Co.	13 10 0			

13. Test Exercise. (M.)
14. Do. (N.)
15. Do. (O.)
16. Do. (P.)
17. Do. (Q.)

VALUE OF STOCK.

You are asked in the next exercise to calculate the value of Stock at the end of the month. Perhaps you think that as you would balance *Cash account*, to get at the value of *Cash in hand*, so by balancing *Goods account* you could get at the value of *Goods in hand* ! Now this *would* be the case if you bought and sold your Goods at the same prices, but as the selling and cost prices do not agree, it is useless to attempt to ascertain value of unsold Stock in this way. You must get rid of the idea of price for a moment and think only of QUANTITY.

RULE.

1. Ascertain the *quantity* unsold.
2. Calculate the value of that quantity at *cost price*.

EXAMPLE.

Jan. 1, Stock in hand

120 Tons of Coal at 20s.

Jan. 1 } Bought 50 „ „ „ 20s.
to 31. } Sold 90 „ „ „ 25s.

Calculate value of Stock on Jan. 31.

	<i>l.</i>	<i>s.</i>	<i>d.</i>
1. Quantity on hand Jan. 31.....	120	0	0
Add No. of Tons bought since	50	0	0
	170	0	0
Subtract No. of Tons sold	90	0	0
<i>Quantity on hand Jan. 31.....</i>	<i>80</i>	<i>0</i>	<i>0</i>
2. Value of Eighty tons at 20s. £80 or. od			

18.	Test Exercise	(R.)
19.	Do.	(S.)
20.	Do.	(T.)
21.	Do.	(U.)
22.	Do.	(V.)
23.	Do.	(W.)
24.	Do.	(Y.)

LESSON XIII.

How to prepare entries for the Ledger. (FIRST METHOD).

(JOURNAL).

Before we can make a proper entry of a Transaction in the Ledger, we must know, as we said in Lesson XI—

1. Where to write.
2. What to write.

The *Journal* has a two-fold use corresponding to these two questions. It acts, *first*, as a sort of check upon the accuracy of the Ledger by reminding us of the double entry that must be made of every transaction, and by stating which account in every case is to be debited, and which is to be credited.

The *second* purpose of the Journal is to set down such particulars of each transaction as it may be thought desirable to keep on record.

The nature of these particulars varies very much, not only with the kind of business, but also with the account in which the entry has to be made.

In *Cash account*, for example, we should wish to see not only the amounts paid and received, but also the dates when they were paid or received, and the name of the person to whom they were paid, or from whom they were received.

In *Goods account* it would be desirable to have the name of the purchaser and seller of the Goods as well as the date and amount of each transaction. It might, also, in some cases (see Test Exercise R), be necessary to have particulars of the Goods sold.

In *Personal accounts* we want to know, not only *how much* the person in question owes me (or I owe him), but also what it was for and the date or dates when the debt was incurred.

Note. In general it is best to have in the Ledger as brief a statement as possible, putting *full* particulars in some other book, and noting in the Ledger the page where those particulars are recorded.

The Rule given on page 69 for entering transactions will very much help you in "journalising," as it will always enable you to do the most important part of journal work, that is, telling what account is to be debited and what account is to be credited. You will observe that the names of these accounts occupy the first wide column on each page of the journal. The next column is for the particulars to be entered in words in the Ledger. You will best learn what to put here by carefully studying the examples given which embrace all the ordinary kinds of business transactions.

EXAMPLE.

Journalise the following Transactions:—

		£	s.	d.
Jan. 1	Sold Goods for Cash	5	5	0
„ 2	Bought Goods of W. Jackson	10	7	0
„ 3	Sold Goods to R. Robertson	3	13	6
„ 4	Paid for Wages.....	12	0	0
„ 5	Drew from Bank	100	0	0
„ 6	Received of W. Norris	25	0	0
	Discount	2	1	4
„ 7	Sold Goods to E. Houghton, he paying me half in Cash	18	8	6
„ 8	Accept Composition of 5s. in the £ on Mr. Newton's debt of £10	2	10	0

How to Prepare Entries for the Ledger. 93

		£	s.	d.
Jan. 9	Take Stationery out of Stock for Office use...	0	12	6
" 10	Gas account for last quarter sent in	6	19	10
" 11	Purchase Business Premises for cash	500	0	0
" 12	Settle last quarter's Gas account	6	19	10
" 13	Drew Cash for Personal expenses	15	0	0
" 14	E. Houghton pays remainder of Cash due, { for Goods bought on Jan. 7 viz :	9	4	3

The kind of Journal in ordinary use is shown below—

		<i>Drs.</i>			<i>Crs.</i>		
1	Cash Dr.	5	5				
	To Goods				5	5	
2	Goods Dr.	10	7				
	To W. Jackson				10	7	
3	R. Robertson Dr.....	3	13	6			
	To Goods				3	13	6
4	Trade Expenses Dr....	12					
	To Cash				12		
	(For Wages and Salaries) ...						
5	Cash Dr.	100					
	To Bank				100		
6	Cash Dr.	25					
	Discount Dr.	2	1	4			
	To W. Norris				27	1	4

The ruling adopted over leaf is however recommended for beginners.

LEDGER FOLIO.	DATE.	NAME OF ACCT. "Where to write."	PARTICULARS. "What to write."	£	s.	d.
94	1878 Jan. 1.	Cash	Dr. To Goods	5	5	0
95	" 2	Goods	Dr. To Jackson.....	10	7	0
95	" 3	R. Robertson	Dr. To Goods	3	13	6
95	" 4	Trade Expns.	Dr. To Wages	12	0	0
94	" 5	Cash	Dr. To Bank.....	100	0	0
	" 6	Do.	Dr. To Norris	25	0	0
	" "	Discount	Dr. To do.	2		4
	" 7	Cash	Dr. To Houghton.....	9	4	3
	" "	E. Houghton	Dr. To Goods	9	4	3
(The above might have						
	" 7	E. Houghton	Dr. To Goods	18	8	6
	" "	Cash	Dr. To Houghton.....	9	4	3
(where Houghton is first debited with the <i>whole amount</i> and then a judgment as to which would be the better plan).						
	" 8	Cash	Dr. To Newton & Co. ||	2	10	
(You will remember that Newton's account has to be balanced ; and transferred to another account, some Book-keepers always make a Journal						
	" "	Bad Debts	Dr. To Newton.....	7	10	0
	" 9	Trade Expns.	Dr. To Stationery ...		12	6
	" 10	Do.	Dr. To Gas, 1 qr.....	6	19	10
(The above entry ought strictly to have						
	" 11	Business Prms.	Dr. To Warehouse } situate in High St }	500	0	0
	" 12	Gas Comp.	Dr. To Cash	6	19	10
(Not "Trade Expenses Dr." You will						
	" 13	Capital acct.	Dr. To Private exps....	15	0	0
	" 14	Cash	Dr. To Houghton.....	9	4	3

LEDGER FOLIO.	DATE.	NAME OF ACCT. "Where to write."	PARTICULARS. "What to write."	£	s.	d.
	1878					
95	Jan. 1.	Goods	Cr. By Cash	5	5	0
95	" 2	W. Jackson	Cr. By Goods	12	7	0
95	" 3	Goods	Cr. By Robertson.....	3	13	6
94	" 4	Cash	Cr. By Wages	12	0	0
95	" 5	Bank	Cr. By Cash	100	0	0
	" 6	W. Norris	Cr. By Cash	25	0	0
	" "	Do.	Cr. By Discount	2	1	4
	" 7	Goods	Cr. By Houghton.....	9	4	3
	" "	Do.	Cr. By do.	9	4	3

been Journalised thus) :

" 7	Goods	Cr. By Houghton	18	8	6
" "	E. Houghton	Cr. By Cash	9	4	3

credited with Cash for half. Compare these two methods and try to form

" 8 | Mr. Newton Cr. | By Comp. 5s. in £ || 2 | 10 |

the *balance* carried to Bad Debts. When the balance of one account is entry (called a "Transfer entry"), as follows :—

" "	Mr. Newton	Cr. By Balancetrans- ferred to Bad dts- }	7	10	0
" 9	Goods	Cr. By Trade Exps....	0	12	6
" 10	Gas Comp.	Cr. By 1 qrs. Gas.....	6	19	10

been made at the end of the previous year.

" 11	Cash	Cr. By Business Pre- mises	500	0	0
" 12	Do.	Cr. By Gas Comp.	6	19	10

see why not if you look at the entry on Jan. 10).

" 13	Cash	Cr. By Self	15	0	0
" 14	E. Houghton	Cr. By Cash	9	4	3

When entries have been thus prepared for the Ledger they must be afterwards *posted* or transferred into the Ledger.

POSTING THE JOURNAL.

1. Open the Ledger at the account named in the Journal.
2. Enter the date, particulars, and amount on the **same** side in the Ledger as that in which they appear in the Journal.
3. Enter the Journal folio in the Ledger.
4. Enter the Ledger folio in the Journal.

N.B.—Post up day by day. That is, *post* the Journal entries of Jany. 1st. before *making entries* in the Journal for Jan. 2nd.

The following example of the posting of the first five entries of the Journal, on pages 94 and 95, will be sufficient to show the manner of posting.

LEDGER.

<i>Dr.</i>				<i>CASH ACCOUNT.</i>				<i>Cr.</i>			
	JNL.	Fo.	£ s. d.		JNL.	Fo.	£ s. d.		JNL.	Fo.	£ s. d.
Jan. 1 To Goods ...	92		5 0 0	Jan. 4 By Wages...	93		12 0 0				
" 5 „ Bank ...	92		100 0 0								

How to Prepare Entries for the Ledger. 97

Dr.	GOODS.			Cr.
	JNL. Fo.		JNL. Fo.	
Jan. 2 To Jackson.	92	10 7 0	Jan. 1 By Cash ...	93 5 5 0
			Jan. 3 „ Robertson	93 3 13 6
Dr.	R. ROBERTSON.			Cr.
Jan. 3 To Goods ...	92	3 13 6		
Dr.	TRADE EXPENSES.			Cr.
Jan. 4 To Wages...	92	12 0 0		
Dr.	W. JACKSON.			Cr.
		Jan. 2 By goods ...	93	10 7 0
Dr.	BANK.			Cr.
		Jan. 5 By Cash ...	93	100 0 0

The series of Exercises following this lesson is supposed to represent your own business transactions as a merchant for twelve months.

You must Journalise every transaction first, and then post from the Journal into the Ledger. The Books have to be balanced and **proved**, at the end of every month, The balances that are then carried down answer the purpose in each case for the *next* month, so that the work of "opening the Ledger" has only to be done once at the beginning of the year.

EXERCISE ON LESSON XIII.

JANUARY 1ST.

		£	s.	d.
Assets.	Cash	22	3	7
	Goods	2,488	10	0
	Bank	361	5	4
	T. Jenkins.....	12	12	0
	E. A. Freeman.....	240	1	8
	S. Newth	826	18	0
	P. A. Nuttall	100	0	0
	Henry and Scott	319	13	6
	White and Riddle	53	0	7
Liabilities.	J. E. Carpenter	1,241	7	11
	R. Blakelock	86	18	0
	T. K. Arnold	490	11	1
	J. P. Hall	105	0	0
	W. Cobbett.	500	0	0

TRANSACTIONS.

(JANUARY).

3	Sold Goods for Cash	100	0	0
4	S. Newth pays into Bank	500	0	0
7	Nuttall settles, (less 5 %)			
8	Sold Goods to H. Stapleton	750	0	0
10	„ „ White and Riddle	95	6	4
12	Bought „ of T. K. Arnold	1,200	0	0
13	Drew from Bank	800	0	0
14	Received of Henry and Scott	300	0	0
	Discount ... }	19	13	6
20	Paid J. E. Carpenter	1,200	0	0
	Discount ... }	41	7	11
22	Sold Goods to S. Newth	188	14	2
23	S. Newth settles.			

Exercise on Lesson XIII.

99

JANUARY (continued).

	£	s.	d.
25 Sold Goods to W. H. Goold	330	0	0
27 Paid for Trade Expenses	40	0	0
„ Sold Goods for Cash	20	0	0
30 Bought „ of J. P. Hall.....	52	10	0
31 Drew for Private Expenses	25	0	0
„ Value of unsold Stock	2,546	19	6

(FEBRUARY).

2 Sold Goods to Mr. Jenkins	8	5	0
„ „ „ „ Freeman	150	0	0
„ „ „ „ Nuttall.....	200	0	0
3 Settled Hall's account. Discount.....	7	10	0
5 Sold Goods to Mr. Jenkins	35	0	0
7 „ „ „ „ Nuttall.....	775	0	0
„ Bought „ of „ Cobbett	1,000	0	0
10 Sold „ to „ Freeman.....	28	0	0
15 „ „ „ „ Jenkins	5	0	0
16 Bought „ White and Riddle.....	181	8	10
21 Sold „ for Cash	60	0	0
„ „ „ „ to Mr. Freeman.....	74	0	0
25 „ „ „ „ G. H. Finch.....	344	15	0
28 Trade Expenses for the month.....	32	6	11
„ Drew for self	25	0	0
„ Value of Goods unsold	2,280	9	11

(MARCH).

1 Paid into Bank	400	0	0
4 Received of W. H. Goold	330	0	0
5 Received of Mr. Finch	200	0	0
10 Mr. Nuttall settles (less 5 %)			
„ Settle Cobbett's account (less 5 %)			

MARCH (continued).

	£	s.	d.
12 Sold Goods to E. C. Clarke.....	1,050	0	0
17 „ „ Mr. Freeman.....	100	0	0
18 Bought „ of „ B. Owen	740	0	0
20 „ „ Longfield and Wilkie.....	505	0	0
26 Clark settles (less 5 %)			
30 Paid into Bank	1,000	0	0
31 Freeman sells me £500 worth of Goods and pays balance of his account.			
„ Trade Expenses	71	0	0
„ Private do.	50	0	0
„ Goods in hand	3,025	9	11

(APRIL).

1 Stapleton settles (less 5 %)			
17 Sold Mr. Jenkins Goods	12	3	0
20 Mr. Finch pays on account	100	0	0
21 Settle Mr. Owen's account (less 5 %)			
„ Sold Goods to Fawcett and Son	306	0	0
25 Accept Composition of 10/- in the £ on Jenkins's account.			
27 Sold Goods for Cash	1,800	0	0
28 Paid T. K. Arnold	1,000	0	0
30 Trade Expenses.....	27	9	8
„ Drew for Private do	50	0	0
„ Value of Stock.	1,158	8	6

(MAY).

5 Paid into Bank	800	0	0
6 Bought Goods of J. E. Carpenter	2,500	0	0
9 Sold „ Fawcett and Son.....	120	0	0
10 „ „ Mr. Nuttall	696	0	0
11 „ „ Henry and Scott	100	0	0

Exercise on Lesson XIII.

101

MAY (continued).

		£	s.	d.
19	Sold Goods to Mr. Finch	508	7	6
"	" " Longfield and Wilkie.	150	0	0
24	" " Barry and Son	30	0	0
25	" " Mr. Freeman	308	9	9
27	" " " Nuttall	25	0	0
31	Trade Expenses	58	5	0
"	Private do.	50	0	0
"	Value of Stock	2,078	16	3

(JUNE).

1	Settle Arnold's account <i>by cheque</i> .			
	(That is, by payment made from <i>Bank</i>).			
8	Sold Goods to Mr. Nuttall	187	0	0
10	" " Charles Hole	450	0	0
14	" " Fawcett and Son	35	0	0
15	Drew from Bank	1,000	0	0
17	Mr. Finch settles. Discount	3	2	6
18	" Nuttall pays me	500	0	0
20	Paid for Wages	20	0	0
25	Paid J. E. Carpenter	1,500	0	0
30	Drew for self	50	0	0
"	Paid for sundry Trade Expenses	20	0	0
"	Value of Stock	1,528	16	3

(JULY).

7	Settle Blakelock's account.			
10	Bought Goods of Longfield and Co. ...	200	0	0
11	" " T. K. Arnold	1,000	0	0
17	Sold " to Mr. Nuttall	341	5	8
18	" " Barry and Son	59	0	0
20	" " for Cash	150	0	0
23	" " to Henry and Scott	300	0	0

JULY (*continued*)

	£	s.	d.
23 Sold Goods for Cash.....	1,250	0	0
26 Freeman settles. Discount.....	8	9	9
27 Settle Arnold's account, (less 5 %).			
29 ,, Carpenter's account.			
31 Private Expenses	50	0	0
,, Trade Expenses	25	8	7
,, Value of Stock	912	8	11

AUGUST.

3 Received of Mr. Nuttall	500	0	0
5 ,, ,, C. Hole	450	0	0
6 Paid White and Riddle.....	33	0	0
,, Discount.....	0	1	11
11 Bought Goods of Longfield and Wilkie	50	0	0
25 Paid Longfield and Wilkie	500	0	0
31 Trade Charges for August	18	10	0
,, Drawn for Personal Expenses	100	0	0
,, Value of Stock	962	8	11

(SEPTEMBER).

16 Bought Goods of T. K. Arnold	22	11	1
18 ,, ,, J. E. Carpenter.....	1,423	8	9
,, ,, ,, J. P. Hall	88	6	7
,, ,, ,, W. Cobbett	150	0	0
19 ,, ,, Longfield and Wilkie...	234	12	8
,, ,, ,, B. Owen.....	1,361	6	6
22 ,, ,, R. Talboys	2,000	0	0
25 Sold ,, to Mr. Nuttall	161	11	1
28 ,, ,, do.	20	4	3
30 Drawn for self	50	0	0
,, Trade Charges for the month	61	0	0
,, Value of Stock	6,092	14	6

(OCTOBER).

		£	s.	d.
7	Sold Goods to Barry and Son	50	0	0
12	" " Mr. Newth	300	0	0
13	" " Fawcett and Son.....	165	0	0
14	" " Mr. Nuttall	211	8	11
16	" " Barry and Son.....	11	6	6
"	" " Mr. Nuttall	64	12	9
27	" " Henry and Scott	500	0	0
28	" " for Cash	1,236	10	6
"	Mr. Nuttall pays me on account	1,000	0	0
29	Settle Hall's account.			
"	" Cobbett's account (less 5 %).			
31	Trade Expenses.....	31	4	5
"	Personal do.	50	0	0
"	Value of Goods on hand.....	3,973	12	4

(NOVEMBER).

1	Sold Goods to Mr. Nuttall	100	0	0
5	" " Fawcett and Son.....	223	8	5
6	Settle Longfield and Wilkie's account.			
9	Sold Goods to Henry and Scott	1,000	0	0
20	J. E. Carpenter sells me Goods	200	0	0
21	Henry and Scott settle. Discount...	25	0	0
23	Sold Goods to Mr. Newth	814	8	6
24	" " " Nuttall	542	6	9
26	Settle J. E. Carpenter's account.			
27	Barry and Son pay me	150	0	0
	Discount.....	0	6	6
28	Paid T. K. Arnold	22	11	1
"	Paid into Bank	2,000	0	0
30	" for Trade Expenses	141	7	8
"	" Private do.....	50	0	0
"	Value of Stock	1,858	8	9

CASH RECEIVED.

LEDGER FOLIO.	DATE.	NAME OF ACCT.	PARTICULARS.	£	s.	d.
	1873					
113	Jan. 1	Cash sales		5	5	0
95	" 5	Bank		100	0	0
	" 6	W. Norris		25	0	0
	" 7	E. Houghton ...		9	4	3
	" 8	Mr. Newton.....	Comp. 5/- in £...	2	10	0
	" 14	E. Houghton ...		9	4	3
112	" 31	Cash account Dr.	To Receipts	£ 151	3	6

GOODS BOUGHT.

LEDGER FOLIO.	DATE.			£	s.	d.
95	1878 Jan. 2	W. Jackson	Goods as per Inv.	10	7	0
113	" 31	Goods acct Dr.	To Purchases ...	£ 10	7	0

JOUR

	1878			£	s.	d.
	Jan. 6	Discount Dr.	To Norris	2	1	4
	" 8	Bad Debts "	" Newton	7	10	0
	" 9	Trade Expns "	" Stationery ...	0	12	6
95	" 10	Trade Expns. "	" Gas, 1 qr. ...	6	19	10

BOOK.

PAID.

III

LEDGER FOLIO.	DATE.	NAME OF ACCT.	PARTICULARS.	£	s.	d.
	1878					
	Jan. 4	Trade Expenses.	Wages	12	0	0
	" 11	Business Prms....	Warehouse No. 2	500	0	0
	" 12	Gas Company ...		6	19	10
	" 13	Capital account .	Self	15	0	0
113	" 31	Cash account Cr.	By Disbursemts..	£ 533	19	10

BOOK.

SOLD.

LEDGER FOLIO.	DATE.			£	s.	d.
	1878					
112	Jan. 1	Cash sales.....	The nature and quantity of the articles sold may be specified here.	5	5	0
95	" 3	R. Robertson ...		3	13	6
	" 7	E. Houghton ...		18	8	6
113	" 31	Goods acct. Cr.	By sales	£ 27	7	0

NAL.

	1878			£	s.	d.
	Jan. 6	W. Norris Cr.	By Discount.....	2	1	4
	" 8	Mr. Newton "	" Trsf. to Bd Dts	7	10	0
	" 9	Goods acct. "	" Trade Charges	0	12	6
	" 10	Gas Comp. "	" 1 qrs. Gas ...	6	19	10

You will notice that the Transaction on the 1st refers both to Cash and Goods. It must therefore be entered in *both* Books.

The entries having been thus prepared for the Ledger must now be posted. The following Rules will guide you—

POSTING GOODS BOOK.

1. Open the Ledger at the account named.
2. Enter the date and amount with the words "To Goods" or "By Goods" on the **opposite** of the Ledger to that in which they appear in the Goods Book.
3. Transfer the **Totals** of both sides of Goods Book to the **same** side of Goods account in the Ledger.
4. Enter the folio of G. B. in the Ledger.
5. Enter the Ledger folio in G. B.

POSTING CASH BOOK.

1. Open the Ledger at the account named.
2. Enter the date and amount, with the words "To Cash" or "By Cash" on the **opposite** side of the Ledger to that in which they appear in the Cash Book.
3. Transfer the **Totals** of both sides of the Cash Book to the **same** side of "Cash Account" in the Ledger.
4. Enter the folio of C. B. in the Ledger.
5. Enter the Ledger folio in C. B.

How to Prepare Entries for the Ledger. 113

EXAMPLES OF POSTING INTO THE LEDGER.

Dr. Cash Account. Cr.

FOLIO.				FOLIO.			
1878		£	s. d.	1878		£	s. d.
Jan. 1	To Balance ...	735	0 0	Jan. 31	By Disbursmts.	533	19 10
" 31	" Receipts ...	108	151 3 6	" "	" Balance card. down	352	3 8
		886	3 6			886	3 6
Feb. 1	To Cash in hand	352	3 8				

Dr. Goods Account. Cr.

FOLIO.				FOLIO.			
1878		£	s. d.	1878		£	s. d.
Jan. 1	To Goods in hand	100	0 0	Jan. 31	By Sales	27	7 0
" 31	" Purchases ...	108	10 7 0	" "	" Goods in hd. card. down	90	0 0
" "	" Net Profit ...		7 0 0			117	7 0
		117	7 0				
Feb. 1	To Goods in hd.	90	0 0				

Dr. Cash Sales. Cr.

1878		£	s. d.	1878		£	s. d.
Jan. 1	To Goods	109	5 5 0	Jan. 1	By Cash	108	5 5 0

Examples of the other postings are given on pages 96 and 97.

MISCELLANEOUS EXERCISES.

1. Work out the Exercise given in Lesson XIII by means of Cash Book and Goods Book.
2. Work out Test Exercises A to Z using Cash Book and Goods Book (with Journal if necessary). *If there are more than two kinds of Goods, work out the Exercise in two ways.*
 1. *By putting them all together without distinction.*
 2. *By using separate columns in your Goods Book (see appendix).*
3. Work out the series given on page 79 using Day Book, Invoice Book and Cash Book.
4. Make out a Cash Book for twelve months from the Exercise on pp. 98 to 104, balancing every month.
5. Give the Transactions from which the following entries have been made :—

DAY BOOK.

	£	s.	d.
May 1. B. Whitworth.			
Sundries.....	10	0	0
„ 3 Carson and Son.			
Sundries.....	50	0	0

INVOICE BOOK.

Aug. 3. Burleigh Brothers.			
Wine as per Invoice.....	100	0	0

CASH OUTWARDS BOOK.

	£	s.	d.
Aug. 7. D. W. Wilkinson	15	0	0
„ 11 N. Oldham.....	20	0	0

6. Name the transactions recorded in the Ledger entries on pages 94 and 95.
7. Name the transactions recorded in the Ledger entries on pages 13 and 14.

8. Make out a Goods Book with double columns, recording therein the transactions named in Exercise VII. page 20, (see appendix p 139).

9. Supposing in the above Exercise that you had £100 Cash on Jan. 1, and that your stock of Tea on April 30, was worth £544, and that of Wine, £795. What was your Net Capital on Jan. 1 and on April 30?

10. Make out a series of Twenty Transactions, Jan. to Dec., to agree with, and illustrate, F. Hyde's Capital account (page 28).

11. Draw up and prove a series of Ten Transactions illustrating the facts given in Exercise IV (page 30).

12. Give the Journal Entries of the following Discount Transactions :—

Feb. 1	Settled Arnold's account (£157) less 5 %			
„ 3	Paid W. B. Fitch.....	£	13	0 0
	Discount		0	12 6
„ 5	Received of A. Wright	100	0	0
	And allowed to him discount.....	7	3	0
„ 6	R. Staines settles his account	250	0	0
	less 2½ % discount			

13. Work out Test Exercises A. to Z. using a Journal only.

14. Make out a Cash Book with Bank columns (see page 134), from Exercise, page 96 &c., balancing every three months.

15. Work out Test Exercises M. to Z. using *four* Books (see page 107).

You will now have a very good idea of the essential principles of Book-keeping. In some of the complicated systems of accounts you may meet with in life, you may not be able very readily to trace out these principles; but a little patient careful observation, and quiet thought will generally enable you to follow the windings of the most intricate system, and to see how each entry leads up to the final result.

You have found, before this, I am sure, how very necessary it is in Book-keeping to be accurate, and what troublesome results arise from the very smallest error. The same care and patience which have helped you to work out and prove the exercises in this book will help you to keep your *own* accounts and prove *them*, when you are no longer working at a school exercise, but are fulfilling one of the most important duties of a man. To *excel* in Book-keeping

all your work should be done

ACCURATELY,

NEATLY,

EXPEDITIOUSLY.

TEST EXERCISES.

A.

		£	s.	d.
Jany. 1	Cash in hand	100	0	0
" "	Goods "	200	0	0
Jany, 3	Sold Goods to R. Allen.....	50	0	0
" 7	Bought " of F. Andrews	10	0	0
" 12	Sold " for Cash	30	0	0
" 31	Value of Stock	140	0	0

B.

March 1	Cash in hand	50	0	0
" "	Goods "	100	0	0
" "	Mr. Barton owes me	7	0	0
March 2	Sold Goods to J. Brown	40	0	0
" 5	" " B. Barton	10	0	0
" 12	J. Brown pays me	25	0	0
" 13	Bought Goods of G. Brand	30	0	0
" 20	Sold " for Cash.....	10	0	0
" 31	Value of Stock	85	0	0

C.

May 1	Cash in hand	400	0	0
" "	Goods	0	0	0
" "	L. S. Cooper owed me	10	0	0
" "	I owed C. Carter	70	0	0
May 1	Bought Goods of C. Carter.....	200	0	0
" 7	Sold " to L. S. Cooper	10	0	0
" 8	" " G. Collins	20	0	0
" 12	Paid C. Carter	140	0	0
" "	L. S. Cooper pays me	15	0	0
" 30	Paid for Trade Expenses.....	2	0	0
" 31	Value of Stock	175	0	0

D.

		£	s.	d.
June 1.	Cash in hand	250	0	0
" "	Goods "	300	0	0
" "	Cash in Bank	100	0	0
" "	I owed F. David	50	0	0
June 5.	Bought Goods of F. David	113	0	0
" 6	Sold " to D. Denton	50	0	0
" 10	" " J. Daw and Son .	66	0	0
" 12	Drew Cash from Bank.....	40	0	0
" "	Paid F. David	170	0	0
" 25	" for Repairs	14	0	0
" 30	Sold J. Digby Goods	40	0	0
" "	Took Cash for Personal Expenses...	10	0	0
	(Cash out:—Capital <i>in</i> —see Lesson 6).			
" 30	Goods in hand	300	0	0

E.

Jan. 1	Cash in hand	50	0	0
" "	Goods "	500	0	0
" "	J. Ellis owed me	20	0	0
" "	I owed W. Ellison	17	0	0
" "	" " Edwards Brothers	11	0	0
Jan. 1	Sold Goods to J. Ellis.....	100	0	0
" 3	Bought " of Edwards Brothers ...	55	0	0
" 20	Sold " to John Evans	105	0	0
" 21	Paid Edwards Brothers	40	0	0
" "	J. Evans pays me	105	0	0
	In other words "J. Evans settles his account."			
" 24	Paid Edwards Brothers	10	0	0
" "	" for Shop Repairs.....	7	0	0
" 31	Personal Expenses.....	10	0	0
" "	Goods in hand	414	0	0

F.

		£	s.	d.
Sept. 1	Cash in hand	140	0	0
" "	Goods "	430	0	0
" "	Cash in Bank	237	12	1
" "	I owe I. Fish	400	0	0
Sept. 5	Paid for Office Coals	4	10	6
" "	Sold Goods to J. Farmer	50	0	0
" 6	" " J. Fell.....	41	10	0
" 8	Bought Goods of G. Fear	60	0	0
" 12	J. Farmer pays me	50	0	0
" 20	Settle G. Fear's account. (This means of course "Pay G. Fear" what I owe him).			
" 21	Paid J. Fish.....	100	0	0
" "	" for Wages	10	10	0
" "	" " Travelling Expenses	2	6	8
" "	Private Expenses.....	5	2	3
" 30	Goods in hand	429	0	0

G.

Aug. 1	Goods in hand	321	1	2
" "	Cash " "	201	0	0
" "	A. Goodman owes me.....	50	0	0
Aug. 3	A. Goodman pays me	50	0	0
" 4	Sold Goods to J. George.....	4	17	0
" 5	Bought " of G. Gage.....	52	15	6
" "	Sold " to J. Gardener	50	10	6
" "	" " for Cash.....	41	11	0
" 12	Bought Goods for Cash	100	0	0
" "	Paid G. Gage	52	15	6
" "	Received of J. Gardener	40	10	6
" 22	J. George pays me	4	10	0
" 31	Trade Expenses	7	0	0
" "	Private "	6	0	0
" "	Goods in hand	405	18	2

H.

		£	s.	d.
Dec. 1	Cash in hand	7	8	2
" "	Goods in "	194	10	6
" "	I owe Mr. Hardy	12	0	0
" "	Mr. Harris owes me	20	0	0
" "	Houghton and Son owe me	35	0	0
Dec. 1	Mr. Harris settles his account less 5 % Discount			
" 3	Sold Goods to W. Heaver.....	8	8	0
" 10	Bought " of M. Hardy	14	11	2
" "	Paid Mr. Hardy	25	0	0
	Discount received	1	11	2
" 15	Sold Goods to Howell and Co. ...	13	0	0
" 31	" " for Cash	93	12	2
	This is supposed to be the sum total of Monthly Cash Sales.			
" "	Trade Expenses	2	0	0
" "	Personal "	5	0	0
" "	Value of Stock	124	1	6

I.

Oct. 1	Cash in hand	1000	0	0
" "	Goods "	100	0	0
Oct. 1	Bought Goods of A. Isaac	500	0	0
" "	Paid into Bank	500	0	0
" 2	Sold Goods to B. Inch	109	15	6
" 10	" " C. Ingham	89	16	7
" "	" " D. Ingrey	50	0	0
" 12	Paid for Wages	15	0	0
" "	" Gas	6	0	0
" "	Drew for Personal Expenses	30	0	0
" 14	Sold Goods to D. Ingrey	48	17	5
" "	Drew from Bank	150	0	0
" 20	Settle Isaac's account less 5 % Discount			
" 25	Sold Goods to E. Iliff.....	40	10	0
" 31	Value of Stock.....	361	0	6

Test Exercises.

121

J.

Note.—In this exercise there are three Goods Accounts ! (see Lesson VIII).

		£	s.	d.
Nov. 1	Cash in hand	84	2	2
„ „	Value of Stock	{	Tea.....	300 0 0
			Coffee...	54 0 0
			Sugar ...	148 0 0
„ „	Mr. Jeffery owes me	489	0	0
„ „	I owe James Jolley	58	15	7
„ „	W. Johnson owes me	104	0	0
„ 2	Sold Tea to J. Jones	87	0	0
„ 3	„ „ Coffee to W. Jackson	50	0	0
„ 4	J. Jones settles his account (less 5 % discount).			
„ 14	I pay James Jolley what I owe him.			
„ „	Paid for Wages	15	1	2
„ 16	„ „ Rent	10	0	0
„ 17	„ „ Postage Stamps	1	0	0
„ 22	„ „ Shop Repairs	11	7	0
„ 23	„ „ Office Coals	3	3	0
„ „	„ „ Parcel	0	1	9
„ „	Sold W. Johnson Sugar.....	90	0	0
„ 30	Personal Expenses	12	0	0
„ „	Value of Stock—Tea	£250.		
	Coffee	£ 10.		
	Sugar	£ 60.		

K.

Dec. 1	Cash in hand	29	4	5
„ „	„ „ „ „ Bank	102	3	2
„ „	Goods in hand	505	18	9
„ „	I owe R. Kemp.....	700	0	0
„ „	Jabez Kettle owes me	63	0	0
			1	2

TEST EXERCISE K. (*continued*).

		£	s.	d.
Dec. 2	Sold Goods to S. King	60	0	0
„ 7	J. Kettle settles his account less 5% _o			
„ 8	Sold Goods to W. Kentish	75	0	0
„ „	Bought „ of Knapman and Co. ...	25	0	0
„ 10	S. King settles less 5% _o Discount.			
„ 12	Sold Goods to W. Kentish	150	0	0
„ 20	„ „ Knapman and Co. .	38	3	5
„ 21	„ „ S. King	2	2	0
„ 31	Trade Expenses	32	8	8
„ „	Private do.	25	0	0
„ 31	Value of Goods on hand	316	14	5

L.

(Make separate accounts for “Books” and “Stationery”).

Jan. 1 Assets none.

Liabilities none.

„ „	Bought Stationery of Lewes and Co.	200	0	0
„ „	„ Books of Longman and Co.	184	2	3
„ „	Sold „ to A. Lincoln	50	0	0
„ 3	„ „ J. P. Lawrence ...	50	0	0
„ 5	„ Stationery do.	24	4	4
„ 10	Bought do. of Lewes and Co.	50	0	0
„ „	Sold do. to T. Lamb	5	5	0
„ „	„ do. to A. Lincoln	17	17	7
„ 31	„ do. for Cash during the month	98	15	6
„ „	„ Books do. „ „ „	109	12	6
„ „	Paid Lewes and Longman, each ...	100	0	0
„ „	Trade Exps. £18. Private Exps. .	10	0	0
„ „	Books in hand, value	0	0	0
„ „	Stationery do	154	4	1

M.

April 1 Cash £20. Bank £85. Goods £788

„ „ Manning and Co. owe me... 33

TEST EXERCISE M. (continued)

		£	s.	d.
April 1	I owe Morris and Son.....	125	0	0
„ „	Mather and Co. owe me.....	70	0	0
„ „	W. R. Mountain owes me	3	3	0
April 5	Write off Mountain's acct. as a bad debt. (page 85).			
„ 7	Mather and Co. pay me.....	50	0	0
„ 8	„ „ buy Goods of me...	11	0	0
„ 12	„ „ settle, less 5 %.			
„ 15	Sold Goods for Cash	150	0	0
„ „	Settle with Morris and Son, they allowing me 5 % Discount.			
„ 20	Accept Comp. of 17/6 in the £ from Manning and Co. (see page 85).			
„ 30	Trade Expenses	13	4	6
„ „	Private do.	20	0	0
„ 30	Value of Stock.....	659	0	0

N.

Nov. 1	Assets	<div> <div> { Glass } £</div> <div> { China } 315.</div> </div> Grocery	£ 471.	<div> Drapery 786</div>
		Nowell and Co.....		24
		Horace Neale.....		42
	Liabilities	Nash and Son.....		80
		W. G. & J. Naylor.....		19

Nov. 1	Bought Grocery of Nash and Son...	64	2	2	
„ „	„ China for Cash	7	0	0	
„ 6	Sold Grocery to Horace Neale.....	18	0	0	
„ 10	Nowell and Co. pay me Comp. 10/- in the £.				
„ 16	H. Neale settles less 5 % Discount.				
„ 30	Grocery.....	} Cash Sales...	81	8 11	
„ „	Drapery.....		} during the ...	116	10 5
„ „	China and Glass ...			} month.....	13	2 8
„ „	Trade Expenses		10		0 0
„ „	Private Expenses.....		10	0 0	

TEST EXERCISE N. (continued).

		£	s.	d.
Nov. 30	Value of Stock	Grocery.....	460	13 3
		Drapery	686	0 0
		China and Class.	308	6 10

O.

Oct. 1	Assets.....	Cash £5. Goods £38.			
		Oliver Brothers	1	1	0
		E. Oates	3	5	0
,,	Liabilities	Owen £ 2 10 0	Onley	12	2 6
		Osborne 17 4 2	Odell	21	19 11
,,	5	Oliver Brothers settle.			
,,	10	E. Oates settles.			
,,	15	Sold Goods for Cash.....			
,,	18	Bought ,, of J. Osborne.....			
,,	21	Sold ,, for Cash			
,,	26	Bought ,, of W. Owen			
,,	27	Sold ,, for Cash			
,,	,,	Settled Owen's account less 5 %.			
,,	31	Trade Expenses			
,,	,,	Private Expenses			
,,	,,	Goods in hand.....			

P.

Jan. 1	Cash £8 5s. Bank £55. Goods 1,129 1 11				
	Debts Payable	Porter and Sons ...	202	0	0
		W. S. Prentice ...	100	0	0
	,,	Receivable—Patmore and Co.	50	0	0
Jan. 2	Patmore and Co. settle. less 5 %.				
,, 3	Patmore and Co. buy Goods worth 220 0 0 (paying Cash for <i>half</i> of them)				
,, 5	Sold Goods to D. Pelham.....				
,,	,,	Patmore and Co.....	40	0	0

TEST EXERCISE P. (*continued*).

		£	s.	d.
Jan. 8	Patmore and Co. settle less 5 %.			
„ 12	Paid into Bank	100	0	0
„ 15	Sold Patmore Goods	10	6	6
„ 18	„ „ „	26	6	9
„ „	Patmore paid	26	13	3
„ 30	Accept Composition of 7/6 in £ for remainder of Patmore's debt.			
„ 31	Trade Exps, £4. Private Exps....	6	0	0
„ „	Value of Stock.....	891	7	7

Q.

	{ Cash £55.. Bank £100. Goods	990	0	0
Aug. 1.	{ Quick and Co. owe me	308	0	10
	{ I owe James Quimper	65	7	6
	{ Quarles and Son owe me	8	2	0
Aug. 7	Quarles and Son pay me	8	0	0
	(not £8 less discount.)			
„ „	Discount.....	0	2	0
„ 10	Quick and Son pay me	300	0	0
	Discount	8	0	10
„ 18	Sold Goods for Cash.....	75	12	11
„ 25	Bought „ of James Quimper ...	100	0	0
„ 31	Trade Expenses	3	4	6
„ „	Private „	5	0	0
„ „	Value of Stock	1,025	0	0

R.

	{ Cash	5	0	0
	{ In hand 100 doz. Port, at 40/- per doz.			
May 1	{ Richards and Son owe me.....	172	0	0
	{ I owe Rowland and Co.....	224	0	0
	{ James Robinson owes me	130	0	0
May 12	Sold for Cash 20 doz. Port at 45/-.			
„ 16	„ Mr. Rutter 10 „ „ 50/-.			
„ „	Bought of Rowland and Co. 50 doz. Sherry at 42/-			

TEST EXERCISE R. (*continued*).

		£	s.	d.
May 22	James Robinson settles less 5 %			
„ 29	Sold Richards and Son 6 doz. Sherry at 54/-.			
„ 31	Trade Expenses.....	5	5	0
„ „	Private „	20	0	0
	Calculate value of Stock at cost price. (see page 89).			

S.

Oct. 1	Cash £75. Bank £185. Goods...	880	1	10
„ „	I owe Mr. J. Sharp.....	77	18	4
„ „	„ Messrs. Scott and Son.....	18	18	6
„ „	Mr. Sewell owes me	30	0	0
„ 3	Bought Goods of Mr. Sanders	50	0	0
„ 10	Sold „ to Mr. Southey	12	12	0
„ 14	Paid Mr. J. Sharp	75	0	0
	Discount	2	18	4
„ 20	Sold Goods to Mr. Sewell	10	0	0
„ 21	Mr. Sewell pays me	20	0	0
„ 22	Sold Goods to Mr. Southey	32	10	0
„ „	Mr. Sewell pays me	10	0	0
„ 24	Drew Cash from Bank	50	0	0
„ „	„ „ for Personal Expenses	10	0	0
„ „	Mr. Sewell pays Comp. 15/- in £.			
„ 31	Trade Expenses	5	17	6
„ „	Goods in hand	885	10	8

T.

Nov. 1	Cash £17 2s. 4d.			
„ „	In Stock, 268 cwt. Sugar at.....	2	6	8 per cwt
	„ 500 „ Cheese „	1	10	0 „
	I owe Toulmin and Gale	50	0	0
„ 3	Sold for Cash 100 cwt. Cheese at 33/-.			
„ 4	„ to Mr. R. Thompson, 100 cwt. Cheese at 35/-.			
„ 11	„ E. Tanner, 200 cwt. Sugar at	2	10	0

TEST EXERCISE T. (*continued*)

		£	s.	d.
Nov. 11	Bought for Cash, 278 lbs. Tea at 3/-			
„ 20	Paid Toulmin and Gale's account			
	less 5 %.			
„ 30	Trade Expenses	4	8	6
„ „	Personal Expenses	15	0	0
Calculate value of unsold Stock at cost price.				

U.

Dec. 1 Cash £100. Bank £200. Goods £1,000.			
Debts Payable :—		Debts Receivable :—	
Underwood	£18	Underhill	£20
Upton and Co.....	£80	Urquhart.....	£40

		£	s.	d.
Dec. 3	Settle all outstanding accounts.			
„ 5	Sold Underhill Goods	200	0	0
„ 6	„ Urquhart do.	50	0	0
„ 11	Underhill settles less 5 %.			
„ 12	Urquhart pays me Comp. 18/- in the £.			
„ 16	Paid into Bank	100	0	0
„ 18	Bought Goods of Upton and Co....	20	0	0
„ 29	Settled Upton's account less 5 %.			
„ 31	Trade Expenses	5	0	0
„ „	Personal „	10	0	0
„ „	Value of Stock	820	0	0

V.

Feb. 1	Cash £207 8s. 9d. Goods	123	0	0
„ „	I owe Mr. Vinter	45	0	0
„ „	Mr. Vale owes me	67	0	0
„ „	Vaughan and Co. owe me	89	0	0
„ 4	Sold Goods for Cash	27	1	5
	Allowed Discount	2	1	5
„ 10	Bought Goods of Mr. Vinter.....	100	0	0
„ 13	Settle Mr. Vinter's account less 5 %.			

TEST EXERCISE V. (*continued*)

		£	s.	d.
Feb. 14	Sold Goods to Messrs. Vaughan & Co.	12	0	0
„ 17	Do. do.	4	2	3
„ 20	Do. for Cash	18	18	0
	Discount	0	18	0
„ 28	Took Goods out of stock for office use	3	0	0
	(Trade Expenses must be debited).			
„ „	Paid for Trade Expenses	3	4	1
„ „	Drew for Self	5	5	0
„ „	Value of Stock	179	14	1

W.

July 1	Assets	{	Wheeler and Wilson ...	12	4	6
		{	Warner and Russell.....	0	18	4
			Cash £10. Bank £700.			
			Goods	600	0	0
	Liabilities	{	Warren and Son	20	0	0
		{	Williams and Angel ...	16	16	0
			Wainwright Brothers ...	1	10	6
July 12	Drew from Bank			50	0	0
„ 21	Settled all outstanding accounts.					
Aug. 10	Sold Goods to Warner and Russell			2	5	0
„ 20	„ „ Wheeler and Wilson			12	0	0
Sept. 15	„ „ Warner and Russell			80	17	6
„ 18	„ „ Wingfield and Co.			3	0	0
„ 31	Bought „ for Cash			120	0	0
„ „	Sold „ „			433	3	10
„ „	Gas acct. for current quarter sent in (Credit the Gas Company).			3	5	6
„ „	I owe Landlord 1 qr's. rent			12	10	0
	(Credit the Landlord).					
„ „	Trade Expenses			8	15	4
„ „	Private „			10	0	0
„ „	Value of Stock			213	4	6

Y.

	£	s.	d.
ik £1,000. Goods...	900	0	0
and Co.....	250	0	0
owes me.....	500	0	0
owes me	15	0	0
ak.....	800	0	0
les.			
ness Premises for cash 1,000	0	0	
"Business Premises.")			
i's account less 5 %			
r Cash.....	1,000	0	0
e Comp. 13/4 in £.			
during the month ...	17	1	3
" " ...	20	0	0
—nil	0	0	0

Name

20 XI

Present date

ANSWERED AFTER EACH TEST EXERCISE.

:? and by how much?

at the beginning of the month?

3. How much am I worth now?
4. How much have I *gained*?
5. How much have I *lost*?
6. How much have I *earned*?
7. How much have I *spent*?
8. What would my income be (per annum) at the same rate?
9. How much do I owe?
10. How much do other people owe me?
11. Have I enough *Cash* (in hand and Bank) to pay all my debts?
12. What has been the amount of my Cash receipts for the current month?

To assist in answering these questions, look at Diagram at the beginning of the book.

APPENDIX.

(Practical Difficulties).

Anyone attempting for the first time to keep a set of Books with the accuracy necessary for Proving, will probably, even though he may have fairly grasped the principles of the science, meet with many difficulties in the *practical application* of those principles.

With a view to meet some of these difficulties, a few suggestions are appended in the form of question and answer.

1. How am I to ensure accuracy in my daily Cash balance ?

If your Cash sales are numerous keep a separate account of them in a Book used for that special purpose—(*Till Book*). Enter every cash sale in this Book, putting the money that you take in a drawer or Till by itself. At the end of the day cast up the Till Book and compare the Total with the amount of Cash put aside. If you have more money than has been entered in the Book you must make an entry of the difference, *so as to make the Total of the Till Book agree with the amount of Cash received for*

Goods Sold. You may now enter this amount in Cash Book and in Goods Book.

TILL BOOK.

JANUARY 10TH, 1878.	£	s.	d.
(Particulars may be entered here if desired).	.	1	0
	1	1	0
		2	7
		8	3
		1	6
		2	6
		3	0
	&c.	&c.	&c.
Total	1	19	10
The amount in the Till is however £2 1s. 4d. I therefore enter " <i>Sundries</i> "		1	6
Total £	2	1	4

Transferred to Cash Book (Inwards) and Goods Book (Outwards).

In the same way, if you are in the habit of paying away a number of small sums as Trade Expenses, set aside £5 or £10 in the morning and make your payments from this fund, entering them in a book called "*Petty Cash Book*," and

agreeing the Total (as you do the *Till Book*) before transferring it to the Cash Book.

2. If Cash Account comes wrong in spite of my best efforts to the contrary does that make it impossible for me to Prove ?

Not at all. Nothing can hinder your proving but an inequality between your Debits and Credits.

If Cash is *over*, make an entry on the Dr. side of Cash Book thus :

Error Account Cr. By Cash over (so much).

If Cash is *short* enter on the CR. side of Cash Book thus : ,

Error Account Dr. To Cash short (so much).

These entries must be posted to a "nominal" account in the Ledger headed "ERROR ACCOUNT," and this account must be balanced, and the balance transferred to P. & L. at the end of the year.

This method of dealing with Cash Errors involves a principle worth remembering : that *If ANY account (Real, Personal or Nominal), shows a Gain or Loss—the balance of such Gain*

or Loss must be transferred to P. & L. before closing the books.

3. I am in the habit of granting a large number of Discounts and abatements. Is it necessary to make a Journal entry of each one?

No. If Discounts are numerous enter them in a separate column in the Cash Book, as in the following example.

CASH INWARDS BOOK.

LEDGER FOLIO.		DISCOUNTS.			CASH.		
	To Mr. Jones, Cr.		5	0	5	0	0
	„ E. Amberley, Cr. ...			2	0	10	0
	„ Jackson and Co. Cr.		1	3	2	5	0
	„ W. Wilde & Son Cr.	1	5	0	23	15	0
	Cash, Dr.				31	10	0
	Discount account Dr.	1	11	5			

Post as follows :

1. The items to the opposite side.
2. The Totals to the same side.

EXAMPLE.

Post the first item thus :—

Dr.	Mr. JONES.	Cr.
		£ s. d.
	By Cash	5 0 0
	„ Discount	0 5 0

Post each of the other items (Amberley—Jackson—Wilde) to the **Cr.** side of their respective accounts, because they come from the **Dr.** side of Cash Book.

Post the *Totals* £31 10s. 0d. and £1 11s. 5d. to the *Dr.* of Cash and Discount accounts respectively.

4. I make most of my payments by cheque. Is it necessary to Journalise all these ?

Payments made by cheque can be entered in the Cash Book at once by using two columns, one for Bank and one for Cash.

CASH BOOK, WITH BANK COLUMNS.

LEDGER FOLIO.	January 10th, 1879.	CASH.			BANK.		
		£	s.	d.	£	s.	d.
	R. Sampson				17	2	10
	Trade Expenses Wages	3	5	0			
	E. Carter and Co.				5	4	0
	Williams Brothers				26	10	0
	Goods—Cash Purchases	10	0	0			
	Cash acct. Cr. By Paymts.	13	5	0			
	Bank acct. Cr. ,, do.				48	16	10

The example given represents only the Cr. side of the Cash Book, or (if two Books are kept), the "Cash Outwards Book."

When Cash is drawn from Bank or paid into Bank, an entry must be made on *both* sides of this Book ; on one side in the Cash column, and on the other side in the Bank column.

5. Is it necessary that the casting of the Sold Book (or Day Book), should be correct to a penny? If so how is this perfect accuracy to be ensured.

One of the best ways of checking the casting is to use two £ s. d. columns—the inner for each separate item, and the outer for the total of each debit (*see example over leaf*). It is the latter alone that need be posted, but the casting of the two columns ought of course to agree page by page, and this agreement *must* be arrived at, before transferring the total to Goods account.

DAY BOOK.

FOLIO	DATE.	NAME AND PARTICULARS.	£	s.	d.	£	s.	d.
	1877							
	Jan. 1	R. Sewell, High Street, 2 lbs. of Coffee @ 1/4		2	8			
		2 " Black Tea @ 2/8		5	4			
		5 " Currants @ -/5		2	1			
		12 " Sugar @ -/3½		3	6	13		7
	2	W. Henley, Peckham, 3½ lbs. Bacon @ -/10		2	11			
		6 " Treacle @ -/3		1	6			
		24 " Loaf Sugar @ -/6		12	0			
		2 " Mixed Tea @ 3/-		6	0	1	2	5
	3	James Husk, 3 lbs. Mixed Biscuits @ -/8		2	0		2	
	"	S. Morris, 6 Tins Australian @ 3/3		19	6			
		1 Bot. C. F. Jelly @		2	6	1	2	0
Carried over to next folio.....£			3	0	0	3	0	0

6. My business consists of several distinct branches, and I want to know the profits on each. Is it necessary to Journalise or make a double posting of every transaction?

Mr. A. is a Bookseller and Stationer. We will suppose that he sells both new and second-hand books, and that he wishes to classify his gains under the three heads of

New Books,
Second-hand Books,
Stationery,

This may of course be done by Journalising, but the following example will show the *easiest* method.

The column for Totals has been purposely put near to the name for convenience in posting. The Invoice Book would of course be kept in the same way, both books being cast up at the end of the month and totals for each column carried to their respective accounts in the Ledger. Then, by balancing these accounts at the end of the year (according to the Rules on page 45), the profit on each branch of the business is very readily ascertained.

FOLIO.	DATE.	NAME AND ADDRESS.	TOTAL		
	1878		£	s.	d.
	Oct. 12	Chas. King, Esq. 14, High Street.		19	
	„ 12	R. Looker, Bristol..		15	6
	„ 12	W. Meyer, Royal Crescent.		4	
	„ 13	G. Passmore	1	4	
		F. Cressall, Trinity College	1	5	6
	„ 13	G. Bury	1	17	6
	„ 14	H. Haynes, Swansea		1	2
			£ 6	6	8

[illegible]

7. There are a good many Small Debts that I have never been in the habit of posting. I have simply entered them in the Day Book and crossed them off when paid. This plan saves considerable trouble. Would it interfere with Proving?

Everything must be posted if you wish to prove your books. It is *not necessary* however to open *a separate account for each person*. All the advantage of systematic Book-keeping may be secured, and nearly all the trouble of the usual system saved by the following method of posting "Small Debts."

We will suppose that all the entries in the last example are of the nature referred to : that is to say, that there are no accounts already open to these names, and that you do not wish to open separate accounts to any of them.

Open an account in the Ledger headed "Sundry Debts," and post them all to this account.

<i>Dr.</i>	<i>SUNDRY DEBTS.</i>	<i>Cr.</i>
	<i>£ s. d.</i>	
Oct. 12	King 0 19 0	
„ „	Looker 0 15 6	
„ „	Meyer 0 4 0	
„ 13	Passmore..... 1 4 0	
„ „	Cressall 1 5 6	
„ „	Bury 1 17 6	
„ 14	Haynes 0 1 2	

The important thing to remember in this method of posting is that when the accounts are paid you must credit—not the party paying the cash, but Sundry Debts account. Thus, if Looker paid his debt of 15*s.* 6*d.*, you would make the Cash Book entry—

“Sundry Debts (Looker)” 15*s.* 6*d.*
not

“R. Looker” 15*s.* 6*d.*

If small debts are very numerous it might be advisable to open an account for each letter of the alphabet, as in the example given below, where provision is made for the address and for the possibility of a second transaction with the same party before the first is paid for.

Moreover, by filling in only those amounts that are paid for in the outer column, it is easy to distinguish at a glance between paid and

unpaid debts, though, of course, all amounts must be filled out and the accounts balanced at the end of the year. The figures below the line denote the folio of the Sold Book.

HINTS AND MAXIMS

FOR

THOSE WHO ARE ASSAYING TO PROVE THEIR BOOKS

IN REAL LIFE.

1. Never make an original entry in the Ledger.
2. *Check* all your castings.
3. *Check* all amounts carried from one folio to another.
4. When an account is settled, rule it off and close it *immediately*.
5. When statements of account are sent *in to* you, compare them with your Ledger without delay.
6. Before statements of account are sent *out* by you, compare them with your Ledger.
7. Keep your postings close up.
8. Check all your postings by calling over.
9. Make no entry in the Balance Sheet, that is not the Balance of some account in the Ledger.
10. Let Debts Payable and Receivable be collected from the Ledger by two persons working independently, and compared and agreed before taken as correct.

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